



The Outlook

Reasons for Rising Prices—Attorney-General Daugherty's Injunction—Danger in the Tariff and Bonus—Poor Statesmanship in France—The Market Prospect

THE question how far the price advance will go, and what it will mean to the community, is already under serious consideration. Several factors are influencing it. One is the widespread tendency to advance wages, adding the amount of such wages to prices and so "boosting" prices in a corresponding degree. A second is the prevailing inclination to run prices up as fast as demand increases, regardless of wages. Price-fixing machinery among producers was rendered more efficient during the war than ever before, and it has continued to retain this efficiency.

There are a good many business men who regard high and rising prices as synonymous with prosperity. Then, in addition, there is an abnormal and unwanted supply of gold in the United States, imported by way of partial settlement of our enormous foreign balances. Lax banking in some parts of the country, Government loans through the War Finance Corporation on long-term security, and a multitude of other measures of like kind have all played their part in establishing a condition favorable to price advance. Such advance, instead of being beneficial, is certain to be injurious and cannot do otherwise than hurt the progress of the return toward normal conditions which has been so widely believed in.

WRONG WAY TO CLOSE A STRIKE

AFTER waiting and delaying action almost indefinitely, the Administration has committed itself to a plan for insuring transportation which certainly does not promise well for the attainment of industrial peace. On September 1 it was announced that the Attorney-General of the United States had applied for and obtained from a Chicago court a temporary injunction of a very sweeping character. The pur-

pose of this writ was to prevent the adoption by former employees of any methods of interference with the railroads, and to insure the entire absence of picketing or other forms of pressure upon men who might be disposed to take the place of such striking employees.

After reviewing the sections of the Clayton Act which bear upon the matter, and which are the latest Federal enactment on the subject, competent legal authorities are disposed to doubt very seriously whether the Chicago court has not considerably overstepped the bounds of its authority.

The use of the injunction as a means of enforcing observance of law is of questionable efficacy and of more than questionable wisdom. These are facts which must throw the utmost doubt upon the propriety of the policy which has been adopted by the Department of Justice, regardless of the merits of the present strike.

SENATE ACTION ON THE BONUS

AS was expected, the Senate on September 1 passed the so-called Bonus Bill, after amending it in ways that render it (if that be possible) still more dangerous and disgraceful than it was in the beginning. The bill, as adopted, besides providing for bonus payments conservatively estimated to run to \$5,000,000,000 or over, also calls for an appropriation of \$350,000,000, to be used in "reclamation" work upon which ex-service men are to be employed in preference to others. Altogether, the bill is full of the utmost hazard from every point of view.

Perhaps there never was as dangerous a measure of its kind as this bonus bill, opening the way as it does for every form of irregularity and damage to the banking system and to our price structure. The bill must still go through the Conference

Committee, which may dress it up somewhat and eliminate certain of the most obnoxious provisions it now contains. Eventually, however, it must undoubtedly be dealt with by the President. The problem of a veto, therefore, cannot be escaped, and is rendered more concrete by the fact that there is now good evidence to show that, if a veto message is sent, it will be supported by considerably more than one-third of the Senate. President Harding thus has the whole matter in his own hands, and his decision will exert a most powerful influence upon the development of business and banking in the United States during the next few years.

DELAY ON THE TARIFF

THE longer the tariff is delayed, the less likely it seems to be that a sound measure will be evolved. At the outset of the conference now in progress on the measure, those who were parties to it were quite sure that everything would be properly "fixed up." Excessive or unfair duties would be "ironed out," and the administrative sections would be fully revised and adapted to necessities. While an effort has been made to keep the doings of the conference secret, such attempts are seldom very successful and they have not been conspicuously so in this instance. It is well understood that the Conference Committee expects to adopt the foreign valuation plan rather than the American, although it will follow the lines pursued in the Senate which sought to compromise between the two alternative methods.

As for rates themselves, the indications now all favor the acceptance of the more extreme and doubtful rates, such as those on sugar, textiles and chemicals; although, of course, technical concessions will be made here and there in the effort to mollify the feelings of the House conferees and to placate public opinion. The public must apparently reconcile itself to the additional burden of this tariff measure, with the increases in price which inevitably may be expected to follow from it. In some cases, such increases are certain to be of a far-reaching nature, and will add materially to costs of living and of doing business. Apparently, their effect must be ascertained from experience prior to a popular verdict which will insure repeal.

BANKING VACANCIES

FOR a long time past the appointment of members to vacancies on the Federal Reserve Board has been delayed. At least three months ago, Congress passed an act increasing the number of members on the board from seven to eight. No action toward making an appointment to fill this new vacancy was taken. On August 9 the term of office of W. P. G. Harding, who has been Governor of the Board for the past six years, expired. No notice of it has been officially taken, but Mr. Harding has been allowed to leave office, so far as the public is concerned, without a word of thanks or recognition for a long period of very self-sacrificing service.

The personal aspect of this case is, in one sense, quite secondary; the important thing being to restore to a condition of working efficiency a body which is now shorthanded and whose acts are accordingly of doubtful legality, due to the fact that, under the terms of the Federal Reserve Act, five

unanimous votes must be cast by "appointive" members before certain important functions of the system can be performed. There are at present in active membership four appointed members and two ex-officio members. Why the central body in our banking system should thus be left to struggle on as best it can with an insufficient membership, while politicians dispute over the "places" which are open to appointment, is one of the mysteries of the present situation in Washington.

* * *

AN UNWISE REPLY

PREMIER POINCARÉ has at length retorted to the "Balfour note" on the reparations question in a communication which embodies about equal parts of insolence and bravado. He holds Great Britain's contribution to the war very lightly, alleging that it was made primarily for the sake of self-protection and not, as Mr. Balfour intimates, in order to save other countries from disaster. He then enters upon a discussion of debts from which emerges the doctrine that repudiation or cancellation is on the whole decidedly to be warranted. The French debt to the United States is divisible, he thinks, into two parts, the first incurred prior to the armistice, the second subsequent to that event. Of the two, the second part was more nearly a commercial obligation, hence possibly more directly entitled to payment than the other. But, after all, France cannot pay her debts unless she collects reparations, and these must be paid at the rate which has been agreed upon; while, out of the proceeds, the first thing which must be done is to restore the devastated regions. So M. Poincaré has but little to say to the Balfour proposal of a readjustment of debts, a reduction of armaments and a revision of reparations. He has his own policy and he means to follow it.

What Great Britain or the United States may think of him and his country is a secondary matter, and not a very important one. French statesmen would not have talked in this way in 1914, and it ill becomes them to adopt such a tone at the present time.

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MARKET PROSPECT

AS more thoroughly explained on the Editor's Page, the market has now reached a level where shrewd investors will concern themselves more in planning the gradual liquidation of their present position than in increasing their commitments.

We have observed some signs of what may be termed the beginning of distribution, and these sooner or later are apt to be forerunners of some change in the character of the market from the standpoint of large interests who possess exceptional means of anticipating future events and who profit thereby.

We still believe that there are strong possibilities in a number of important groups and many individual issues. We are not bearish on the market, but we do believe that from now on much more caution should be used on the buying side and that the suggestions made on the page referred to be carefully followed out. Also, that this "Market Prospect" section be watched closely in future.

Monday, September 11, 1922.

Are Lower Taxes in Sight?

A Discussion of the Present Tax Situation and the Outlook for Reduction of Federal Expenditures

By HON. ATLEE POMERENE

United States Senator from Ohio

I FEAR the people of this country have been lulled into an utterly unfounded belief that we have entered upon an era of economy, entrenchment, conservative appropriations and reduced taxation. It is an unpleasant task to awaken them from a fondly cherished belief, but impending events will sternly and rudely do so, and I believe it is a duty of statesmanship to warn the public of the "morning after" that is coming.

I lay down these propositions:

1. Federal taxation has not been reduced in effect.

2. It will not be reduced under the present régime.

3. There has been no saving in appropriations. On the contrary, we are continuing at a profligately extravagant rate compared with the pre-war normal.

It is frequently asserted that the present Internal Revenue law has reduced the burden of taxation by as much as \$850,000,000. This is a myth, pure and simple. It is fabricated by figuring that the abolition of war and excess profits taxes and the reduction of the maximum rate of the surtaxes amounts to \$850,000,000. The creators of the myth utterly ignored the fact, which must be well known to them, since it is known to everybody else, that excess profits and large incomes have been tremendously trimmed, and in thousands of cases utterly eliminated since the peak year of 1920.

A Superficial Change

Broadly speaking, the much vaunted and widely heralded reduction in Federal taxation has been merely a superficial change, largely applicable to something that no longer exists. However, it is undoubtedly very comforting to the people to know that if they had had excess profits or large personal incomes they would not have been taxed at all on the former, and in some cases would have had their taxes remitted on the latter.

The sham reduction in taxation, as a matter of fact, operated to impose a relatively heavier burden on just such classes of taxpayers as should have been relieved. While the present revenue law goes through the motions of lopping off something that had automatically largely elim-

inated itself—the Excess Profits Tax—it did actually raise the normal income tax rate of corporations from 10 to 12½ per cent, and a very insistent effort was made to make it 15 per cent.

Now, speaking very generally, the most useful and beneficial of our corporations, with some exceptions, are those that do not earn enough to have excess profits. The result is that the corporations that earn excessively, if not profiteeringly, es-

you are assisted in no small degree by the interesting phase of tax reduction of which we hear so much about; but if it is less than that amount you continue to pay the same old rate of war times. Making a comparison somewhat similar to that made between corporations, I would say that it would be generally agreed that if there is to be any discrimination between incomes exceeding \$200,000 a year and those under that amount, the latter should be protected as being of the greatest social use and value.

Outlook for Tax Reduction

I cannot see any possibility of reducing taxation the way we are going now, and, indeed, I, for one, shall be pleasantly surprised if it be not increased. Notwithstanding the insistent need of the most drastic economy, tremendous, and sometimes irresistible pressure is now brought to bear upon Congress to make appropriations for various purposes, some of which are laudable, but which nevertheless contribute to the defeat of national economy, which is so necessary at the present time. The mail of members of Congress in these days registers a strange public psychology. We get thousands of letters that literally in the same sentence denounce us for extravagance and abuse us for not making more liberal appropriations.

In connection with the stupendous burden of direct taxation and the black prospect for its reduction, reference to the pending tariff bill should not be ignored. It is the most reckless and heartless log-rolling bill that has ever

been put through Congress. The old-time River and Harbors "pork-barrel" bill was a model of parsimony compared with this measure. It will levy an indirect tax that is greater than even our present excessive direct taxes. Moreover, this is a tax measure which yields but a small proportion of its total collection to the Treasury, as four-fifths of it is merely diverted from the pockets of the masses into the pockets of the favored few. It is a bill founded on unbridled group selfishness and reared without any regard for the public interest. It could have been drafted in no other manner. It was



HON. ATLEE POMERENE
U. S. Senator from Ohio

cape the additional tax they formerly had to pay, and now pay no more than the corporations such as the railways and public utilities and certain others which constitute our most useful corporations. I cannot understand what justification there can be for increasing the taxes on all corporations that earn, regardless of their affluence or their utility, and at the same time relieving the prosperous and, perhaps, obnoxious ones of revenues which they could easily spare.

It is the same way with the much touted reformation of the surtaxes. If your income is more than \$200,000 a year

devised on the principle of avoiding opposition and securing support by giving every selfish interest what it demanded in its blind selfishness. Like most other forms of selfishness, tariff selfishness is lamentably short-sighted. Every group has demanded what it thought would favorably affect its income, and has taken no account of its outgo. Instead of being a government of, by and for the people, we are fast becoming, if we have not already become, a government of blocs, by blocs and for blocs. These blocs were especially in evidence in the framing of the tariff bill, and against their organized rushes the scattered representatives of the general interest were in a hopeless minority.

A Levy of Nearly Five Billions

Take the farmers for instance: their various commodity organizations, without consulting the interests of the farmers, as a whole, or as consumers, of both of which classifications they constitute an important part, have demanded and received enormous tariffs which in many instances cannot be of even passing benefit to them, with the result that for every dollar that the farmers as a whole may derive from the subsidies of the tariff bill they will pay out at least four dollars because of its exactions.

I have before me a statement issued by the American Farm Bureau Federation, the largest of the national organizations of farmers, which calculates that the Senate Tariff Bill will authorize the manufacturers to levy a tax of nearly \$4,900,000,000 upon the consumers of their goods, and the Bureau adds that the amount will be doubled by the time prices are pyramided up to the ultimate consumer. The American Farm Bureau Federation, which may be said to be the representative of all the farmers, very plainly intimates that this enormous load is largely attributable to the sop thrown to farmers in commodity groups, in the shape of tariffs on their limited products, which are in my opinion largely deceptive.

I confess that I do not see how the people and industry can support a direct and indirect tax load amounting to seven billion or eight billion dollars a year, of which no less than one billion, five hundred million dollars is increased indirect tariff taxation, whereas in view of the enormous appropriations now attained by income taxation we might reasonably have expected to have been relieved from at least a portion of tariff taxation.

Now, taking up the subject of appropriations in detail, we find that for the fiscal year of 1923 the total appropriations are something more

than \$3,181 million. In 1915, they were only \$793 million, an increase of \$2,389 million. In 1915 the regular, annual legislative expenses of the Government were something over a million dollars less than now.

The executive and other independent offices cost about ten million dollars more now than then; the State Department spends about four million dollars more than it used to; the administration cost of the Treasury Department is sixty-two million dollars more than it was; the regular annual military activities of the War Department are about one hundred and twenty million dollars more than formerly, and its regular non-military activities are thirty-four million dollars more than they were; the regular appropriations of the Navy Department are about one hundred and fifty million dollars more than they were in 1915; those of the Interior Department are ninety million dollars more; those of the Post Office Department two hundred and forty-nine million dollars more; those of the Commerce Department seven million dollars more; those of the Labor Department three million dollars more; of the Department of Justice and of the Judiciary seven million dollars more; and the District of Columbia ten million dollars more. Besides, there were about thirty-nine million dollars in bonus pay to civil service employees. Altogether the regular annual and permanent and indefinite expenditures of this Government are, in round numbers, \$2,400,000,000 more than they were eight years ago.

Thus far I have taken no account of the outlets for public moneys which are

the inevitable results of the war. These extraordinary expenditures growing out of the war are \$100 million for the Emergency Fleet, \$418 million for the Veterans' Bureau, \$1 million for the United States Housing Corporation, and \$370,000 for the Alien Property Custodian. Deducting these amounts and the \$38 million of civil service bonus pay, and also the \$43 million on account of additional expenditures of the Bureau of Internal Revenue and the public debt service, and also deducting \$1,260 million for the sinking fund and interest of the public debt, and \$30 million for the retirement of the public debt from the Federal Reserve Bank franchise tax, you will find that the true net comparison, or what you might call a normal comparison of 1922 and 1915, shows that we are now, just in the ordinary course of events, spending \$596 million more than we were eight years ago.

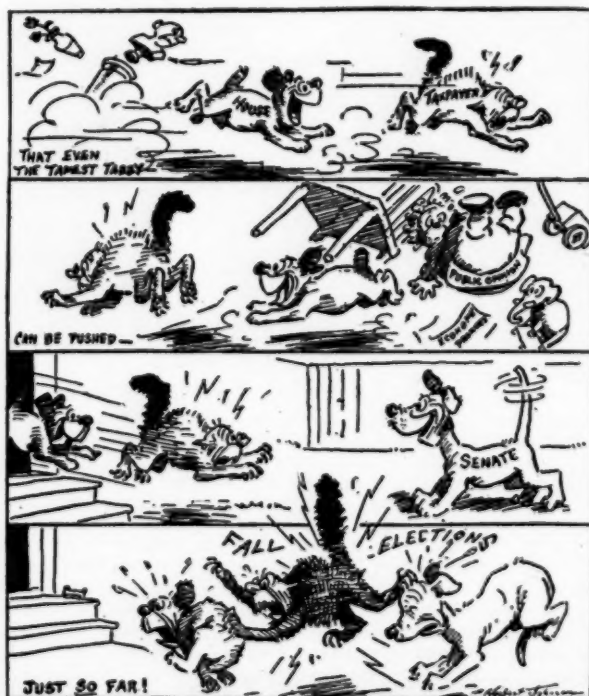
I submit that there has been no such expansion of the necessary functions of government in eight years as to justify an increase of about 80 per cent in ordinary national expenditures while adding \$1,800 million to the extraordinary bill. Do not forget that this 80 per cent applies only to what might be designated as regular expenditures.

Federal Extravagance

In view of the riotous extravagance in Federal appropriations, the clamorous demands for further public expenditures at a time when frugality should be the watchword, coupled with fiscal measures which operate to restrict trade when a flourishing commerce is the chief need of this nation and the world, one would conclude that the ship of state is both rudderless and compassless.

Let me say, though, that the business interests of the country which are so prone to point out the shortcomings of government, and so little inclined to correct them, must bear the final responsibility for the deplorable state to which we are brought. In this country the cream of ability is to be found in the business world, and if that ability is not at the public service what can you expect?

I sometimes wonder how long it will be before business men realize that government is the greatest need of all, and that it is everybody's business in a very important and selfish sense. If the business executives of this country, if the investors who support their activities with their funds, would show one-tenth of the interest in the Congressional Record that they show in the market page and the quotation tape, we would automatically avoid most of the appalling economic errors of government.



It may be well to remember—
(Kansas City Star)

Livermore's Methods Analyzed

1. How He Prepares for the Day's Work

By RICHARD D. WYCKOFF

IN undertaking to analyze the methods which Jesse L. Livermore employs in the stock market, I shall not begin by presenting the history of his past operations, but will merely recount the fact that he began at an early age (fourteen), and up to 1922 had been trading in stocks for about thirty years. Of this period twenty-five years were devoted to finding himself. His fortunes during that time fluctuated widely from a five-dollar bill to a million dollars, back to nothing and on down to a million or more in debt, all of which showed his ability to make money in the market at times; his difficulty was in keeping it, proving that his methods were then only partly efficient.

How he eventually discovered and conquered his weak points; how he turned his active, uncertain form of trading into comparatively inactive long-pull operating which was consistently profitable in the net, are subjects for later portions of this series. Without further introduction, therefore, let us proceed to analyze Mr. Livermore's methods, for everyone who has attempted to make money in securities is desirous of learning the "how" of the business, and no better example can be found.

An important element in the success of anyone lies in the way his day's work is planned. Comparatively few men plan their business day in advance. They go through a certain routine that varies with the number of callers, conferences or interruptions, leaving them, at the end of the day, with some of the most important matters unexamined, unstudied and undecided. Not so with Livermore. His opinions are based on certain facts. He requires time and seclusion in which to examine, absorb and digest these facts; to form his conclusions and plan his campaigns.

He prepares for his day's work by retiring at ten p. m. He goes to bed early, because he knows that "the adroit man profits by everything, neglects nothing which can increase his chances; the less adroit, by sometimes disregarding a single chance, fail in everything."

In Trim for the Day's Work

He desires not only the advantage of plenty of sleep; he wishes to rise early, thoroughly refreshed for the day's work. He puts in an hour or two before break-

WHAT interests us in presenting this series is that Mr. Livermore, with a natural and developed genius for reading the tape, made his success in buying and selling securities only after he became a spec-vestor. His principal operations are conducted just as are those of a merchant who, accurately foreseeing future demand for certain goods, purchases his line and patiently awaits the time when he may realize a profit. And just as legitimately, when he foresees an oversupply, he contracts to deliver in future goods which he believes will then be purchasable at lower prices. Mr. Livermore says: "There is no magic about success. No man can succeed unless he acquires a fundamental knowledge of economics and conditions of every sort."

The outstanding value of this series is that it tells the average business man, who numbers 87% of our readers, and with whom investment and spec-vestment is necessarily a side line, that one need not be a stock market genius to make money in securities.

While few people are by nature gifted to become great operators, a knowledge of his methods will be a very important contribution to stock market literature, as Mr. Livermore's methods prove that the best results may be obtained, not by active trading, but by a careful study of the factors which influence the market, trade conditions, money conditions, analytical analysis of corporations, all of which are found regularly in THE MAGAZINE OF WALL STREET.

fast studying world conditions affecting the stock market, banking, foreign trade, money, crops, corporate reports and trade statistics. He chooses the early morning for studying these subjects for at that time his mind is thoroughly rested and cleared of the previous day's impressions, like a photographic plate ready for the negative.

He reads the principal morning newspapers, analyzing and weighing the effect of the news. Most of this has already been developed from world happenings on the previous day, and the greater part has already reached him through the news slips, news tickers and the evening newspapers; but in the morning fresh angles are presented, and these are carefully gone over. He does not follow the common practice of reading the headlines and skimming through the rest

of the news. A small item of three lines in an obscure corner of the paper may mean more to him than the entire balance of the contents. He once traveled four thousand miles and took a market position because he had observed a certain brief dividend notice in a newspaper. He has been known to "clean house" to the extent of over 100,000 shares on a single news item and then reverse his position because he found he had misinterpreted it.

Digs for Facts

The front page spreads and the big headlines in the newspapers he regards as for public consumption. The vital facts, he says, are usually concealed in all sorts of out of the way places. He digs for them. If they cannot be located in the morning or during the day, he will temporarily discard his early-to-bed rule and sit up till one or two in the morning. *He gets what he goes after.*

In certain papers he finds digests of the steel, coal, textile, copper, automobile, equipment, and other leading industries as well as the cotton, grain, sugar and various other commodity markets. All these are scrutinized as indices to conditions in their respective fields. Indirectly they are also guides to correct judgment of business conditions in general.

Anyone who has employed the early hours for such a purpose realizes what an immense advantage is gained in this practice. The house is quiet. Nothing disturbs the flow of thought during a sufficient period for subjects to be taken up, investigated and conclusions reached. No other part of the day affords such a splendid opportunity for the quiet absorption of such data. It cannot so effectively be sandwiched in between tape readings while prices are running out on the ticker during market hours.

There is another advantage which is not so apparent on the surface: these study periods being equally separated by twenty-four-hour intervals, the changes for better or worse are more readily discerned. Mathematicians will tell you that one of the most important factors in studying the curve of any graph showing the progress of an industry, a business, a factor, etc., is the element of change toward better or worse, and that these changes should be studied not only with regard to their direction but the

speed with which they occur during stated intervals. I have found this true in studying the market at a time when, busily engaged in other fields, I could only devote about an hour a day to the subject. These brief but regular periods proved to be an advantage instead of a disadvantage. Take up any subject under such conditions, and you will find that the effect is like observing a series of photographs taken one week apart showing the progress of a building. One is able to note whether the change in one direction or another be slow or rapid, and as the slowing up of the movement in one direction occurs, he is forewarned that a change is about to take place.

Learns for Himself

Livermore does not concern himself with what this or that person may say about the present condition of a certain industry. He does want to see and study the statistics which show what conditions are likely to prevail in that trade several months from now. In the spring of 1921, when the news items were reporting the steel companies as operating at 25% to 30% of capacity, he told me that the actual figure was less than 20%. That is the kind of information he extracts from various sources, early in the morning, when other people are asleep. His daily concentration on economics, trade tendencies, etc., forms the background for the opinions formed before the market opens at ten a. m.

In a recent interview with a representative of THE MAGAZINE OF WALL STREET, Mr. Livermore said: "No man can succeed in the market unless he acquires a fundamental knowledge of economics and thoroughly familiarizes himself with conditions of every sort—the financial position of a company, its past history, production, as well as the state of the industry in which it is engaged, and the general economic situation. There is no magic about success in the stock market. The only way I know for the public to succeed in their investments is for them to investigate before they invest."

He might have added: Get up early in the morning to accomplish this, as there will probably be no time to do it thoroughly during the day, nor at night when the mind is fatigued from the day's activities. More particularly does this apply to those who do not make a business of trading in stocks.

Most people do their thinking in well-worn grooves. They are creatures of habit. They get up at eight because they have to be at the office at nine. In the evening they feel the need of recreation, which often means the theatre, a dancing or bridge party. They consider themselves entitled to such recreation, and if it means being out late, well, they are "good sports and can get along with very little sleep." It is true, they can get along, but can they get ahead if they practice it continually?

Concentrate on Essentials

Contrary to the fixed habits of most men, Livermore is willing to sacrifice

many of the so-called diversions which occupy numbers of people from ten p. m. to twelve, one or two, in order that he may devote those few hours to sleep, and thus have his uninterrupted morning period for study. Late hours and late sleep are two things the majority like to indulge in; this majority is known as "the public," millions of whom attempt in a desultory way to master the greatest and most difficult game in the world—one that requires an almost complete reversal of previous mental and physical habits. No one seriously should undertake trading in stocks as a vocation without adopting such methods as will thoroughly equip him for his work. The experiences of Livermore indicate that two of the requisites are: (1) plenty of sleep, and (2) ample time for close and uninterrupted study and reflection on the elements and influences which shape the trend of the market; on the factors which determine prosperity or depression in business in general, and in individual industries and companies in particular.

Livermore is a keen student of human nature in its relation to the stock market. As he himself expressed it in the interview alluded to previously "essentials to stock market success are knowledge and patience. So few people succeed in the market because they have no patience. They want to get rich quickly. They are not willing to buy when a thing goes down and wait. They buy mostly when a thing is going up, and near the top."

Livermore has succeeded because he has made a deep study of the stock market and of himself. That is the way to make a success of anything. Napoleon wrote: "If I appear always ready to meet every emergency, to confront every problem, it is because before undertaking any enterprise I have long

considered it, and have thus foreseen what could possibly occur. It is no genius which suddenly and secretly reveals what I have to say or do in some circumstance unforeseen by others, it is my own meditation and reflection."

I went into Livermore's office one day with a friend who wanted to give him some facts that had just developed in a certain situation. The friend had barely mentioned the name of the company when Livermore whipped a memorandum out of the top drawer of his desk and said, "Is that what you mean? I've had that four days."

The Market Requires Study

Fourteen years ago, in an interview published in THE MAGAZINE OF WALL STREET (then "The Ticker") for July, 1908, Mr. Livermore said: "Anyone who figures that his success is dependent upon chance may as well stay out of the market. His attitude is wrong at the very start. The great trouble with the average man who buys securities is that he thinks the market is a gambling proposition."

"One should realize at the outset that the work requires the same study and preparation as law or medicine; that certain rules apply to it that are to be studied as closely as if he were a law student preparing for the bar. Many people attribute my success to luck. The fact is, for fifteen years I have studied this subject closely; you might say I have given my life to it, concentrating upon it and putting into it my very best."

Conclusion

From the above we learn:

That the attainment of spectacular and permanent success as a stock market operator requires that one devote his life to the business. He should also be possessed of a certain character adapted to this line of work; especially marked abilities in this field, as well as a strong desire to succeed therein.

The average business man who has devoted a good part of his life to other tasks is rarely fitted to become what Wall Street recognizes as an operator, but he can, without interfering with his regular work, acquire an understanding of the business and become a scientific and successful investor in proportion to the effort and the intelligence he puts into the work.

A thorough knowledge of underlying conditions is indispensable.

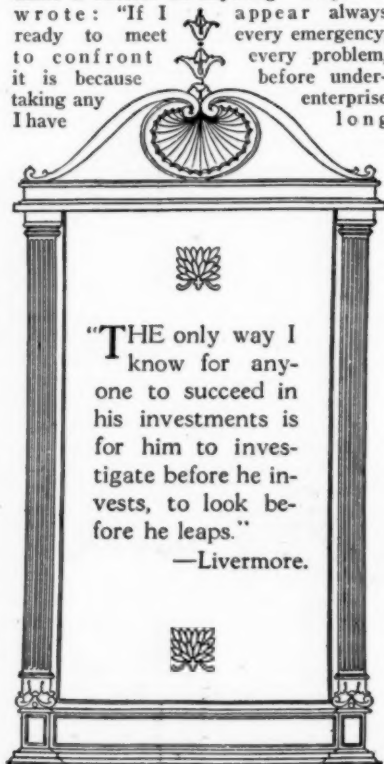
A certain period of the day should be devoted to study.

Sound opinions may best be formed on the basis of actual facts secured from original and authentic sources. The ability to interpret these facts increases with time and experience.

The real news is not in the headlines. One must seek it elsewhere.

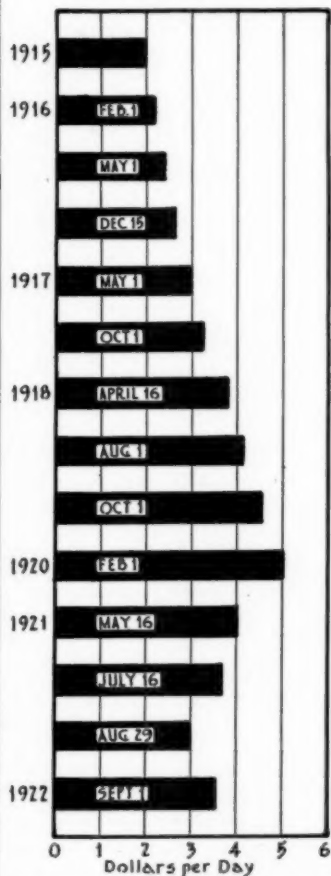
Ability to foresee conditions that will prevail in the future is absolutely essential.

In the next issue Mr. Wyckoff will show how Mr. Livermore's office is arranged and how he does his day's work.



FEATURES OF CURRENT FINANCE

U.S. STEEL RAISES WAGES
TWENTY PER CENT.



An increase effective September 1st brings common labor rate 80% above pre-war level of \$2 per 10 hour day, and only 30% below high record level of February 1, 1920

Graphic
Depictions
of Recent
Events....

GERMAN MARKS REACH RECORD LOW.

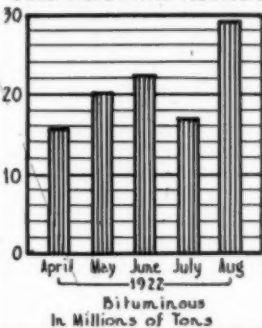


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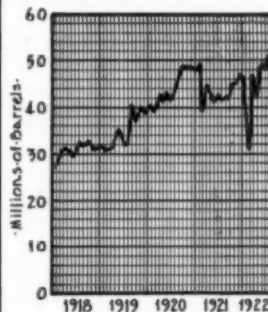
The Mark On
Aug 25th 1922.

The Pre-War Mark.

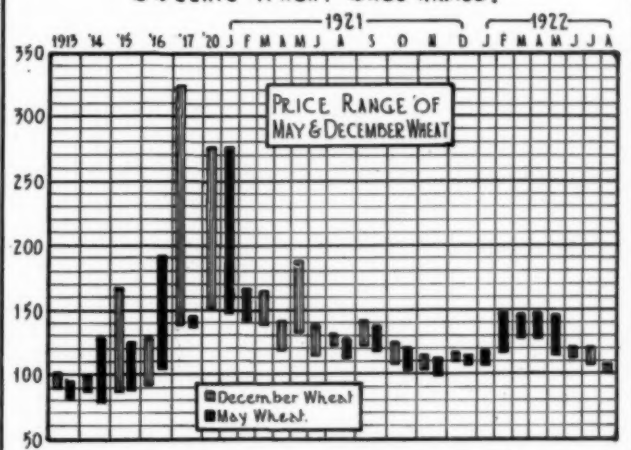
COAL PRODUCTION RECOVERS



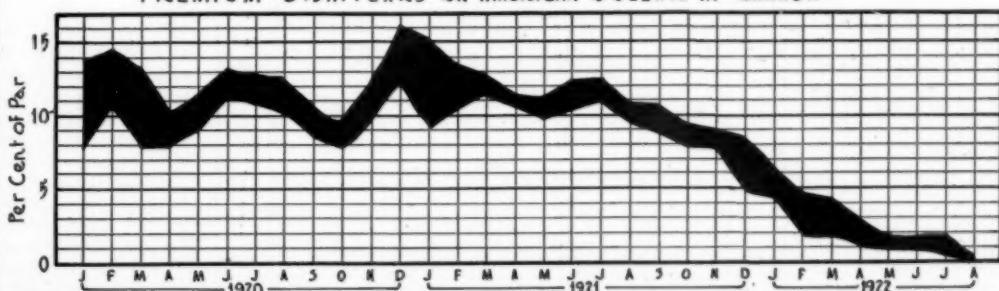
OIL CONSUMPTION AT RECORD RATE



DOLLAR WHEAT ONCE MORE!



PREMIUM DISAPPEARS ON AMERICAN DOLLAR IN CANADA.



The Trend of Dividends

The Record Since the Beginning of the Year—
Which Industries Are in the Strongest Position?

By E. D. KING

THAT there has been improvement in the general industrial situation in this country is indisputable. No other proof is required than the fact that there have been scores of instances of resumption or increase in dividend rates since the beginning of the year whereas during the same period last year, there were at least as many instances of reduction or elimination of dividends. Thus the situation has changed from one in which the passing of dividends was a commonplace affair to one in which restoration or increase of dividends is equally commonplace.

The trend of dividends since the beginning of the year has been distinctly upward and hardly a week now passes without some company or other taking favorable dividend action. In the May 13, 1922, issue of THE MAGAZINE OF WALL STREET the writer said: "Many companies have already profited from the improvement in industrial conditions to warrant their taking favorable action with regard to dividends but are merely waiting for several months more of good business before they make the expected distribution of profits." During these four months, quite a number of companies have taken such action, among which may be enumerated: North American, Consolidated Gas, Studebaker, Philadelphia Rapid Transit, Computing-Tabulating-Recording, Hudson Motors, Sinclair and many others, some of which are listed in the accompanying table.

Best Showing Made by Public Utilities

In this particular list, it will be seen that six of the companies are in the public utility field, three are in the automobile field, three in the mining industry, one in the oil industry and one in manufacturing. Quite a number of industries are well represented here, but the best showing of all has been made by the public utilities which, beyond question, at least so far as the stronger companies are concerned, have regained their former earning power. The automobile and mining industries come next in this category which bears out estimates of the prospects for these industries made in these columns on many previous occasions.

In the table entitled "Dividend Outlook for Industrial Companies by Groups" it will be noticed that preference, as in the last review of this subject, is given to the equipments, which are almost uniformly in a very strong position. Considering the growing demand for equipment, and the rela-

DIVIDEND OUTLOOK FOR INDUSTRIAL COMPANIES BY GROUPS

Arranged according to (a) present strength of dividend position and (b) outlook for restoration or increase in dividend rate.

- 1.—Equipment
- 2.—Chain Store
- 3.—Automobile
- 4.—Oil
- 5.—Tobacco
- 6.—Chemical
- 7.—Textile
- 8.—Coal
- 9.—Steel
- 10.—Other metals
- 11.—Paper
- 12.—Mail-order
- 13.—Sugar
- 14.—Leather
- 15.—Tire

tively few companies operating in this field it is almost a certainty that these companies will show increased earnings for a considerable period. This should mean the establishment, eventually, of a higher rate of dividends for securities of this class. Chain stores, automobiles and oils come next in this category and it would appear that the dividend position of the principal companies in this field is eminently satisfactory. There have already been several instances, in the earlier part of the year, of dividend increases in the chain-store field and their present position and outlook is such that further extra distributions would not be a surprise.

It will be noticed that the sugar, leather and tire industries come last in the order given so far as position with regard to the dividend-paying groups is concerned. These industries, however, with the exception of the tire-manufacturing industry, have recently given better promise and possibilities that there will be dividend resumption in this group next year are not remote.

Causes for Change in Situation

The change in the dividend-paying position of the industrials is so striking as to

be worthy of special comment. The great majority of industrial corporations are showing better earnings than for several years and to this circumstance, of course, the higher dividends in vogue are due. In inquiring into the reasons for the higher ratio of net earnings, it is necessary to lay stress on the success with which many industrials have met with regard to lowering their costs of production. This element, even more than the increase in gross business has accounted for the growingly favorable showing of industrial corporations. An additional factor has been, in many cases, the advance in prices. However, this factor has not contributed equally in each instance, the automobile industry, for example, having prospered despite the reduction in the price of many makes, on account of its greatly increased volume of gross business and reduced cost of operation.

Reduction of Expenditures

Principally, the improvement in net earnings has come about as a result of factors entering into reduction of operating expenses. Among these may be mentioned: lower wages, lower cost of materials, lower borrowing rates for money and increased administrative efficiency. Obviously, the outlook for sustained high earnings is dependent to a great degree on the success with which companies can meet in holding down their expenses.

It may be, of course, that during next year which will probably mark a period of inflation, costs of production will rise to an extent to interfere with earning power. But this is a rather long-range consideration and so far as can be seen at present there is nothing in the situation which would lead to the conclusion that earning power, speaking generally, will be affected in the months directly ahead. The momentum is still too strongly in the direction of higher earnings to permit a serious falling off for a considerable period. For that reason, it is to be expected that the number of companies to increase or restore dividends will continue to grow. The stock market, of course, has already discounted this situation to a considerable extent verifying common impression that the prospect for increasing earnings is still bright, and the steadily growing list of companies to increase or restore their dividends in the past few months is strong testimony that the general confidence displayed in the immediate outlook for industry is warranted.

COMPANIES THAT HAVE INCREASED DIVIDENDS IN THE LAST FEW MONTHS

	Former Dividend	Present Dividend
Brooklyn Union Gas.....	0	7
Computing-Tabulating-Rec.	4	6
Consolidated Gas.....	7	8
Dome Mines.....	1	2
Federal Mining & Smelting.....	3	5
Hudson Motors.....	0	2
Market St. Ry. Prior Pfd.....	0	6
Motherlode Copper.....	0	1
North American.....	3	5
Public Service Corp. N. J.....	4	6
Sinclair Consolidated.....	0	2
Studebaker.....	7	10
Stewart-Warner.....	2	3
Stromberg Carburetor.....	0	4

Foreign Trade and Securities

Financial Europe As I Saw It

Austria, a Metropolis for Rent—The Revival of Czechoslovakia—The Situation in the Rest of Central Europe

By MAX GOLDSTEIN

This article on Central Europe is the fourth and last of a series on Financial Europe by Max Goldstein, who was the foreign representative of THE MAGAZINE OF WALL STREET during the past two years. In this article, the unfortunate condition of Central Europe is disclosed. Only Czechoslovakia is an exception. It is a bright spot in an otherwise very gloomy situation.

THE situation in the various portions of Central Europe is so different from frontier to frontier that one despairs of finding a common denominator which shall serve to explain the diversity of phenomena alike only in geographical nearness. In Austria we see the results of an inflationist policy driven even further than in Germany, with certain additional complications which tend to aggravate the situation. In Czechoslovakia a different régime entirely obtains; the government has preferred to establish a sound currency and banking system at the expense of its immediate industrial prosperity in the hope of making up for it over a period of years. In Hungary three political systems, democratic liberalism, Marxian communism, and an essentially agrarian imitation of modern industrialism, have had their turn one after another in governing the country since the armistice, with the net result apparently of instituting a system of currency inflation which has led to the present breakdown of Hungary.

Other States more or less intimately connected with these might be cited: Poland, an industrially backward country artificially held together by nationalism and militarism without any real economic basis; Jugo-Slavia, otherwise Serbia, or Serbia, or "The Kingdom of the Serbs, Croats and Slovenes," (although the Croats protest energetically against being included with the other two); Roumania, which has absorbed more foreign populations than it knows what to do with, and still others.

Common Problems

Certain problems are common to all, for SEPTEMBER 16, 1922

however, and the exchange value of their currencies measures roughly how much success they have had in meeting them. They have all been confronted with the question of how to keep up an harmonious co-operation among highly diversified racial elements, not one of the new countries being a "self-determined small nationality" in the Wilsonian sense.

The Czechs are facing the problem of what to do with the Germans in their population, and with the Slovaks; the

nance of the existing status also dominates the thinking of all Central European statesmen. On the one hand Hungary is claiming back part of its territories ceded to Austria and to Czechoslovakia; Austria is seeking desperately for some bigger nation to attach itself to; Roumania wants more territory than merely the Banat and Transylvania; Jugo-Slavia keeps a jealous eye on Italy across the Adriatic, and so the political game goes on.

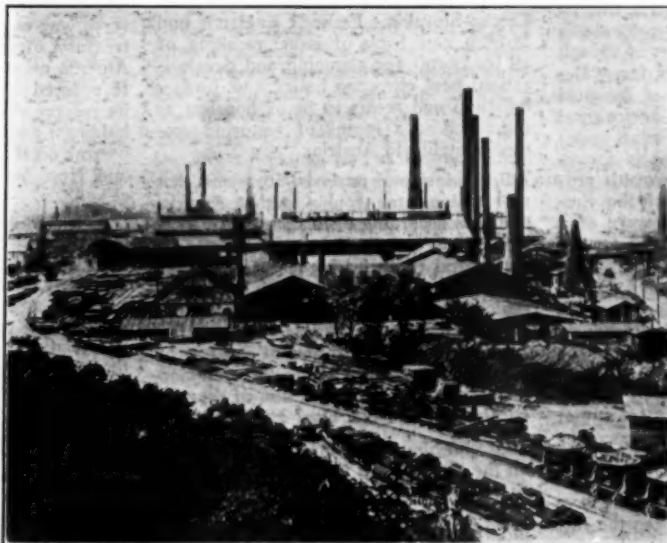
Tariff Complications

Another point they all have in common is their system of tariff barriers and exclusions, some of them of a really amazing degree of complication and futility. Sometimes it is done by a mechanism of protective duties, sometimes import and export licenses are required, sometimes only limited amounts of a given commodity are allowed to pass from one country into another. In all cases the end aimed at is the same; the development of each country's own economic welfare to as high a degree as possible at the expense of the welfare of the other countries. In spite of certain political alliances, such a concept as that of economic interdependence seems to be unknown in this part of Europe.

More important than these similarities, however, are the differences which emerge when we study the various countries, one by one. For the purposes of this article we shall consider the so-called "Successor States," formed out of the fragments of the old Austrian Empire.

German Austria, as now constituted, has only one advantage over the other heirs of the Empire of Francis Joseph. That is the racial homogeneity mentioned above, a startling contrast to the other states. On the other hand, it has certain disadvantages which are of the very first importance.

To begin with, it is all wrongly built as an economic structure. It is like some unhealthy boy with a little body and an



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Great Steel Mills in Moravia, One of the States of the New Czechoslovak Nation

Jugo-Slavs are obsessed by the Croatian and the Slovene problem; Hungary has a large German population; Poland has an acute Jewish problem. The only "pure" nation is Austria, which has been reduced to its function as a centre of German population and culture.

Another common problem is that of currency inflation, most acute in Austria, least so in Czechoslovakia. This is largely an internal matter, as the problem of reparations has dropped out of the case. Austria, it is conceded, cannot pay, and will be inordinately lucky to avoid a complete breakdown; and the other nations are considered Allies of the Entente, hence not liable for reparations.

Political uncertainty as to the mainte-

enormous head. Vienna occupied a place in the old régime of the Hapsburgs as "Luxusstadt," center of luxury and leisure, and banking and military and governmental life, and the other appurtenances of a highly-developed European civilization for which there is no longer any room in the shrunken Austria of today. The people are still there, but there is nothing for them to do. The population of Vienna should have been cut to that of Belgrade or Agram to fit the new conditions, but with its present size it is a parasite sponging on a corpse, with no economic basis beyond the squanderings of English or American tourists attracted by the lure of cheap exchange.

Even this lure has proved illusory with the progress of inflation, because prices have moved up even faster than the exchange dropped, leaving the cost of living for a foreigner supplied with dollars or pounds on an increasingly sharp upgrade. At the present time the cost of living in Vienna is fairly comparable with that in New York, although a year or two ago it might have been a sixth or a tenth of the American price.

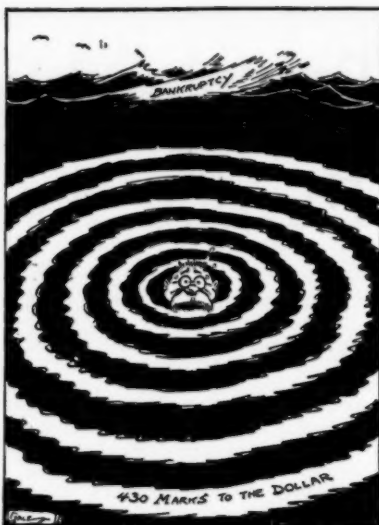
The effect of increasing prices on industrial production has been the same as on the domestic budget; Austria can no longer compete on a purely price basis with the rest of the world, even though its exchange has dropped so far. Besides, German Austria was not designed as an industrial state, or an agricultural state, or any kind of a producing state: it was built solely and purely as a consuming state, consuming the wealth produced in the other portions of the Empire. What industries it had were of a decidedly luxury type; laces and leather goods and porcelain and fine clothes and hats were the characteristic ones.

This system was satisfactory enough while it served as the great spending-point for a major Power, but with the splitting-up of the old nation, the jealous hostility of the new members to the old center, and growing inability to attract new orders from the stronger-currency countries or pay for raw materials to produce new goods, the breakdown of the Austrian economic system could have been readily predicted once given the fact of a continuing policy of inflation.

For Rent—a Metropolis

A real solution of the existing problem will be even harder to find in the case of Austria than in that of Germany. Not only has inflation gone much further, but the place which Austria used to occupy in the pre-war European economy has so completely disappeared that it is hard to conceive of a use for what remains. A full third of the present population of the country lives in one city, its capital, and has to be sustained by the slight manufacturing and grazing and agricultural activities of the remainder, the city as such being parasitic on the land. The problem of Austria is the problem of Vienna.

Taking this standpoint of rock-bottom realism one is compelled to be extremely skeptical as to the various "remedies"



GERMAN FINANCIAL CIRCLES
—Gale in Los Angeles Times.

proposed for the Austrian situation. The governmental prohibition of private trading in foreign exchange, small loans from Czecho-Slovakia, France, England and Italy, a new bank of issue, recalling of all banknotes for stamping and devaluation, new currency issues and further inflation, one seems to be as hopeless as the other as a means of restoring economic vitality to Austria.

Following our analysis, it seems that the fundamental trouble is that Austria, like man according to Scripture, "was not made to live alone." It was made to be an integral part of a bigger unit, the fine flower of a high industrial civilization, a center of spending and luxury and administration. The only possible answer would seem to be the absorption of Austria by some larger state, perhaps Italy or Germany or some reconfederation of the constituents of the old Dual Monarchy.

Czecho-Slovakia, on the other hand, has all the essentials of a successful economic State. It includes within its boundaries the greater part of the industry of the old Empire, and has considerable natural resources, among them the indispensable coal and iron. It has an independent financial center in Prague, which has shown itself able to replace Vienna for the new Czech state as headquarters of administrative activity.

Shortly after the foundation of the new State, its leaders were called upon to choose between the easy way of inflation, artificial prosperity, depreciating currency, and light taxation, the primrose path of finance, and the thorny road of deflation, with its unpleasant concomitants of slow business and heavy taxes, which bore with peculiar weight on such a heavily industrialized country. To their credit and the permanent benefit of the country they chose the more difficult but sounder way, and as soon as possible set about distinguishing the Czech from the old Austrian imperial currency by isolating for a given time all currency within

the borders of the state, allowing none to pass in or go out, and stamping it. Thenceforth only stamped currency was allowed to serve as legal tender, and later was exchanged for regulation new Czech currency.

Deflation Policy

By a vigorous deflation policy the note issue was curtailed (this State was the first in Europe, not even excepting England, to carry through a scheme of currency deflation), a sincere attempt was made to cover the expenses of the Government by current taxation, and borrowing, both internal and external, was kept to a minimum. As a result, the deficits incurred were surprisingly small, comparable with the occasional deficits of countries like the United States and England. At the same time expenses were rigidly kept down; the country refused to be drawn into extravagant militaristic adventures, while at the same time conducting a remarkably astute foreign policy.

Under the circumstances the exchange value of the Czech crown began to rise, and the government took advantage of this to strengthen the fiscal position of the country with each rise, in the converse way to the steady weakening of the treasury of a country like Germany or Austria at each drop in the exchange. It reduced its obligations and increased its reserve of gold and foreign exchange holdings, and so when it finally came to borrow on the money markets of London and New York its loans were well received.

It is undeniable that this rigorous policy did tend to hold back the development of Czech industry. At a certain time Czech glassware, for instance, cost almost ten times as much, in dollars, as the same glassware bought in Germany, because of the relative cheapness of the mark and the relative dearthness of the Czech crown. This condition prevailed only as long as the inflationism of Germany and Austria was successful, however, and like all inflation policies, it was strikingly successful at first and a miserable failure in the end. Czech factories were running on the average of 20% of capacity while Germany underbidding them in the world market, getting orders after orders from abroad, working at full capacity and booked up for months ahead, with more jobs than there were workmen. With the progress of inflation and the breaking-down of the purchasing power of the mark, the internal prices of German goods began to approach the world market level, and it became progressively less and less cheaper to buy in the German market. From a purely price point of view, the Czech market, by standing still or even going up, got closer and closer to the German level, both being measured in dollars.

Other considerations began to enter, however. With the increasing pressure on German factories, deliveries became irregular as the railroad system showed signs of breaking down under the strain and raw materials became harder to get;

(Continued on page 790)

Money, Banking and Business

How the Federal Reserve Functions

Explaining the Value of the Federal Reserve System and
What It Is Doing Toward Stabilization of Money Conditions

By H. PARKER WILLIS

WITH the return of approximately normal business conditions, the operations of the Federal Reserve System have assumed a very much less conspicuous position than that which they occupied during and after the war. Not long ago, a business man of large experience, speaking of the present situation, expressed his opinion by saying: "I think the time has now come when the Federal Reserve System can take a vacation." This attitude largely ignores the character of the work which the system is doing today. It is apparently based on the idea, common to many people, that the reserve system, or any central banking system, is chiefly useful in "emergencies."

System Not Merely for "Emergencies"

There is some superficial warrant for this point of view in the fact that whereas the Federal Reserve System a little over a year ago had about \$1,500,000,000 of bills in its portfolio it now has only between \$550,000,000 and \$600,000,000. Probably there is not another central banking system in the world which has shown such great fluctuations from inactivity to activity, and back again, within very short periods of time. For the Federal Reserve System is a central banking organization;—and is subject to the general laws which govern other central banks. It is peculiar, however, in this respect—that it gets its business almost entirely through the applications of its members for the rediscount of paper. A bank which finds itself hard pressed for funds brings some of its notes or bills to the reserve bank, rediscounts or sells them, and gets a credit on the books of the reserve bank. This is the familiar relief function which has been so much talked about, and which is known to almost every one. It has been a good deal over-advertised. Even when the banks of the country were hardest-pressed during and after the war, there was never a time when more than about one-half of the members of the System applied for

rediscount accommodation. Today, the number is a great deal less than that. Today some of the people who used to urge "banking reform" were in the habit of referring to the reserve system as being like a "reservoir" of water which could be used to put out fires in the financial system. The error of this point of view is or ought to be plain enough as a result of our experience.

Real Duty of a Central Banking System

It is not in putting out fires, but in preventing them, that fireproof construction serves a purpose, and the same is true of financial construction. Foreign central banks carry on a great deal of their business in the open market. They buy and sell paper, dealing direct with individuals, firms and corporations. A very large proportion of the business of the Bank of France is done in that way and the average size of the individual unit of paper held by it is very small. This enables these banks to exert a strong influence over the rate of interest in their markets. Federal Reserve banks have never done so much in this direction, although they have bought and sold bankers' acceptances through brokers. The fact that they have done so little has prevented them from exerting the direct influence on rates of interest that they might, although they have had an indirect effect in a certain way through the influence they have been able to exert upon the charges made by banks for call money and by similar methods. How far the Federal Reserve System will go in the future in this kind of open market business and in the resultant control of credit

and interest rates is still to be ascertained.

Fiscal Work of Banks

Meanwhile, however, a very important service is being rendered by the banks to the Government and to the country at large through their labors as fiscal agents of the Treasury Department. They have taken over the functions formerly imposed upon sub-Treasuries, and they are carrying on the duties which those institutions formerly fulfilled in supplying currency, as well as in many other ways;—to say nothing of functions which the sub-Treasuries never did and never could perform, in distributing securities issued by the Government, to the banks and to private subscribers the country over. The Reserve System has also rendered a service of almost incalculable value to the Government through its gold settlement fund which has enabled the Treasury to draw in the great sums derived from income and excess profits taxes in all parts of the country, without disturbing the banking structure, while in the same way it has enabled the Department to pay out the huge amounts necessary to meet interest coupons and payments on certificates and bonds, without any noticeable effect upon the market. This is a phase of Federal Reserve bank work which is practically unnoticed by the community as a whole, but which undoubtedly acts as a most important stabilizing influence upon banking and investment.

Cashing Checks at Par

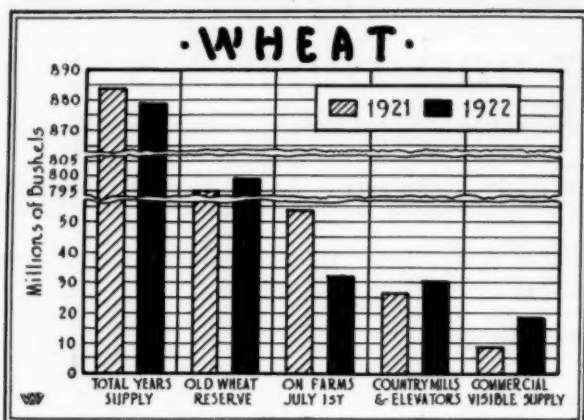
The business community has now become so much accustomed to the fact

that it can get the bulk of its checks collected at par, if it does not wish to draw against them for immediate use, that it has almost forgotten the conditions which existed ten years ago. At that time the charging of exorbitant exchange rates was an almost universal practice. The Chamber of Commerce of

(Continued on
page 797)



Treasury Building in Washington where the Federal Reserve Board is located



Is Wheat's Price Too Low?

By H. L. Nicolet

THE purchasing power of the farmers at the present time is less than two-thirds that of 1913. The Department of Agriculture, in a comparison of farm prices of grain and livestock with average wholesale prices of other commodities, showed that the ratio in July was 69 per cent. Farm prices averaged 119, compared with 100 in 1913, while average wholesale prices averaged 172.

Since July wheat has fallen about 17 cents and there have been important declines in hogs and some other farm products. Moreover, the Department of Agriculture's comparison is with wholesale prices, and it is a well known fact that the margin between wholesale and retail prices is larger now than in 1913 so that allowance for this puts the farmers in a position where his aggregate crops will exchange for no more than 66 per cent of as much of the articles he buys as in 1913.

Take the case of wheat: It is worth a little more than a dollar a bushel in Chicago. There was only one year in the ten years ending with 1913 when wheat did not sell above a dollar some allowance for this puts the farmer in a period of relatively low prices for what the farmer has to buy.

Corn is selling a little under 60 cents in Chicago. It sold above that price at some time in every one of the eight years ending with 1913.

There is nothing in the present supply and demand situation to justify relatively low prices for grain. Crops are good but are not abnormally large. The wheat crop is a little larger than in 1921, but is smaller than in the three preceding years. Exports last year, 279 million bushels, were the largest with three exceptions in the history of the country, and with European crops 100 million bushels less this year than last, there is no reason to expect that foreign requirements will be any less this year.

Latest available statistics indicate that the world's crop of wheat and the world's requirements this year are about evenly balanced, assuming that normal crops will be harvested next winter in the Southern Hemisphere. The situation is one that

This seems to be true all through the trade—among elevator operators, millers, country grain buyers and the ordinary run of speculators. The consequence is that only a relatively small surplus of current offerings depresses prices: there is almost no speculative demand to take up the slack.

It is a situation which probably means that wheat will go into consumption more rapidly this year than usual—except last year, when more wheat was exported in July, August and September than ever before in that period—a total of 136 million bushels, or nearly half the entire year's exports.

The statistics of this year's wheat supply, and last year's, are here shown in millions of bushels:

Crop	1921	1922
Old wheat reserve.....	705	709
On farms July 1.....	54	32
Country mills and elevators.....	26	30
Commercial visible supply.....	9	18
Total year's supply.....	884	879

It appears from these figures that this year's total supply is only 5 million bushels less than last year's, and as exports in the last crop year were 279 million bushels, with 80 million bushels carried over July 1 in all positions, it is assumed that there is an available exportable surplus fully as large this year.

There are clear indications, however, that last year's crop was 100 million bushels larger than the official estimate, as the actual distribution was fully that

SALIENT POINTS ON GRAIN

- (1) Farmers' purchasing power is now less than two-thirds that of 1913.
- (2) In only one year of the decade to 1913 did wheat fail, at some time, to sell above \$1 a bushel during the year.
- (3) There is nothing in the present supply and demand situation to justify relatively low prices for grain.
- (4) The absence of speculative interest in the wheat market leaves it with no demand to take up the slack.
- (5) Farmers have adjusted themselves to the reduced purchasing power of their crops, and the agricultural banking situation is much improved.

How Authorities View Two Leading Crops

does not justify abnormally low relative prices for wheat.

There is a curious lack of speculative interest in the wheat market—an absence of confidence in prices.

much more than the theoretical requirements.

The known distribution of the 1921 supply was: Exports, 279 million bushels; used for seed, 90 million bushels; carry over, 80 million bushels; total, 449 million bushels. Deducting this from the crop and carry over, totaling 884 million bushels, leaves only 435 million bushels for home consumption. That is barely 4 bushels per capita for 109 million people. The normal pre-war annual consumption exceeded 5 bushels per capita, so that the apparent consumption in the year ending last June was 100 million bushels less than normal.

There is no evidence of any such slump in consumption. The best available authority is that the mills made 123 million barrels of flour last year, compared with 107 million barrels in the preceding year, while exports of flour were about the same in both years. It thus appears that home consumption of flour was larger in 1921-22 than in 1920-21, instead of smaller.

Figuring on the basis of normal home consumption the distribution of the 1922 supply of wheat, amounting to 879 million bushels, would be about as follows:

	Millions of Bushels
Home consumption.....	540
Seed requirements.....	90
Normal carry-over next July.....	30
Available for export.....	180

These figures seem to indicate that the exportable surplus this year is 100 million bushels less than the actual exports last year. There is no present way of knowing, however, whether the discrepancy of last year, either in consumption or crop estimate, will be repeated this year. The grain and milling trade appears to be going on the assumption that, with official estimates of available supplies practically the same this year as last, there will be about the same amount available for export.

Farmers have adjusted themselves to the reduced purchasing power of their crops. Business in the farming districts has held up much better than could be expected, considering the relatively low farm prices in comparison with other prices. The explanation is to be found in the fact that farmers are working harder, employing less help, and selling more of the minor products of the farm, than during the period of war inflation.

The strongest feature of the farming situation is livestock. Prices of hogs, cattle and sheep are high enough to make good profits for successful feeders. Losses on fat livestock sold in 1921 were enormous, because of the great and sudden slump in prices in the fall of 1920. Thousands of feeders sold their fat stock in 1921 for less than it cost, losing their feed. But this year's business has been

View Position of Commodities

on a different basis. Livestock is relatively higher than grain and there is a good profit in feeding. Farmers get more for corn that goes to make fat cattle and hogs than for corn that is sold in the market.

Confidence prevails generally in livestock values. Banks and loan companies that suffered large losses on loans on high-priced cattle that sold at shrunken values last year, are now willing to make loans on the present price basis. The large number of thin cattle and hogs moving back to the country for pasturing and feeding, shows the confidence that prevails among feeders, and their ability to borrow money for such operations.

A great many farmers continue to feel that the violent deflation of the past two years took more off the prices of their products than was justified, but the extreme bitterness that prevailed after the first violent slump has passed away and farmers generally realize that economic conditions and not "Wall Street" or the "grain gamblers" are responsible for the situation.

Country banks have generally cleaned up the doubtful or bad assets left on their hands by the great slump that suddenly struck farm income. Borrowers have paid up or reduced their loans, except in cases where the slump wiped out all their equities. A great many country banks have found it necessary to write off relatively extensive losses, but they generally had ample accumulated surplus to take care of these losses. Well informed city bankers believe the country is sound and that country banks are in a position to take care of the demands of their patrons.

While farm land values have come down from the extreme war inflation price, there are no bargains on the market. Foreclosures are few. The big farm mortgage companies report practically no defaults on interest.

Cotton's Long-Trend Appears Upward

By C. T. Revere

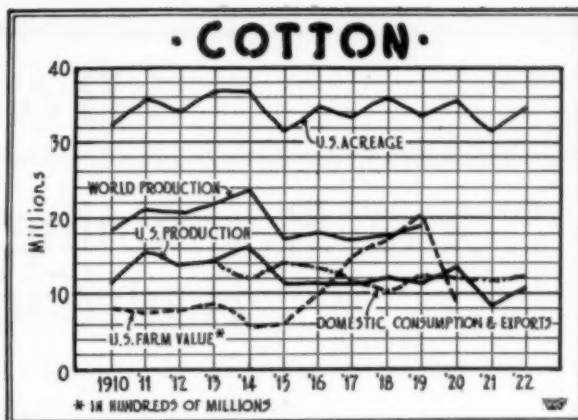
In any attempt to gain a clear conception of the outlook for cotton both in respect to price movements and its industrial aspects, it is probably better to discard as much as possible the technicalities and incidentals that frequently obscure the vision. Let it be understood that these same technicalities and incidentals are dear to the heart of the cotton student. He revels in them, and a mastery of these details constitutes his stock in trade and provides the basis for his superiority over the inquiring layman.

Nevertheless, the fundamental swings in the cotton market are developed along simple lines. They are based on the tidal ebb and flow of supply and demand, as one factor or the other becomes more boldly assertive.

We are now entering the second month of the fiscal cotton year, as the new season began August 1. The old season closed with a surplus of American cotton amounting to 4,904,000 bales. This should not be confused with the visible supply of American cotton which amounted to only 1,911,000 bales. The so-called carry-over figures include not only the visible supply, but the stocks of cotton in the hands of spinners all over the world, in the small interior towns of the South, and an estimate also as to the amount held by the growers on the farm. They represent, statistically, every bale of cotton in the world that has not been consumed.

Starting, therefore, with 4,904,000 bales, we come to the prospect for the new crop. This was estimated by the Bureau of Agricultural Economics of the Department of Agriculture as holding forth a promise of 10,575,000 bales. This, added to the carry over mentioned above, would forecast a total supply of nearly 15,500,000 bales. Such an aggregate would indicate a fairly easy position in cotton, provided the crop prospect should be realized, and also assuming that no exceptional demand should arise for the raw material.

For the season ending July 31, 1922, the world's consumption of American cotton was estimated by Secretary Hester of the New Orleans Cotton Exchange at 12,804,000 bales. Assuming that the consumption for the new season will be approximately the same, we would find that



the total supply of cotton now, theoretically 15,500,000 bales, would have been reduced by the end of next July to a point where the total carry over would be approximately 2,700,000 bales.

This looks like a fairly substantial figure, but it is not so in a practical economic sense. A total carry over of only 2,700,000 bales would mean either that mill stocks had been reduced to such a minimum that only a few days' supply had been left for each mill, that stocks at the ports and larger interior concentrating points had been scaled down to practically nothing, and that no cotton at all would be in the hands of the farmers. It would suggest a visible supply of less than half a million bales, a figure lower than has been witnessed since cotton cultivation revived after the close of the Civil War.

To the student of cotton crop conditions, it is fairly clear that the Department forecast of the crop issued on September 1 is somewhat too high. This is not intended as a criticism of Department methods. It merely represents the consensus of opinion of the best informed portion of the cotton trade. It should be understood that the Department did not attempt to make an exact estimate of the crop, but merely attempted to measure its promise at this time. The probabilities point to a yield of about 10,000,000 bales, and the reduction from the Department forecast undoubtedly would apply chiefly to Texas which was credited with an indicated yield of 3,644,000 bales, whereas some of the best informed judges of cotton in the State believe the yield will be around 3,000,000 to 3,200,000 bales.

It is the opinion of the writer that the cotton trade finally will settle down to the assumption that the yield will be around 10,000,000 bales, which, with a carry over of 4,900,000 bales, would point to a total supply of about 15,000,000 bales.

On the other hand, it will be necessary to scale down some of the bullish anticipations with respect to consumption. The cotton trade is becoming more and more convinced that the requirements of the world will be less than last year—12,800,000 bales—and that for the time being it would be more conservative to figure on the likelihood of a total consumption of

(Continued on page 795)

SALIENT POINTS ON COTTON

- (1) By next July, a visible supply of less than half a million bales is suggested, or less than since the close of the Civil War.
- (2) Present situation in cotton calls for caution until more is known about the attitude of producer in respect to selling and attitude of consuming manufacturer in respect to buying.
- (3) Until some practical method of boll weevil control is discovered, there is no reasonable prospect of a return to normal prices for cotton.
- (4) The unsettled state of Europe and its bearing on the cotton situation has, in all probability, been exaggerated.

Bonds

Some Remaining Opportunities in Railroad Bonds

A List of Attractive Well-Secured Railroad Bonds—Possibilities in the Speculative Rails

By W. M. ATWOOD

N. Y. Central Conv. 6s

IT is unlikely that the peak of general bond prices has yet been reached. Nevertheless the recent extended rise especially in extremely high-grade railroad bonds has removed the overwhelming majority from levels at which they may be considered bargains. For that reason, it becomes increasingly difficult to select railroad issues that are highly attractive from a yield view-point and are yet in a position where they properly possess a high investment rating. It is still possible, however, to select a few issues that offer a fairly high yield in comparison with other bonds of this class. These bonds have been divided into two classes—well secured and speculative and are herewith described.

WELL-SECURED RAILROAD BONDS

Chesapeake & Ohio Conv. 5s

The coal strike, although adversely affecting the earnings of most of our railroads, has tremendously increased those of the Chesapeake and Ohio, which serves in large part the non-union coal fields. Consequently, this road will show very large earnings for the current year. Provided its directors see fit, it will easily be able to increase the dividend rate on its common stock above the four per cent now being paid. Its convertible 5s of 1946 are convertible into common stock at 80 until April 1, 1923, on which date the conversion price becomes 90. The bonds are now selling at 97½ and with the stock at 76½ any upward movement of the latter, which an increase in the dividend rate would produce, will cause a corresponding rise in its "Convertibles."

The New York Central also has outstanding a large convertible issue, amounting to \$100,000,000. It is convertible into the road's stock at 105, and although the latter, which is now selling at 98½, would have to advance fourteen points before it became profitable to convert, with the bonds at their present price of 107¼, such is not at all a remote possibility in view of "Central's" large earnings this year. On the basis of results for the first six months they will amount to about \$16.50 per share.

An increase in the dividend rate above the 5% now being paid would bring about conversion of the bonds on a large scale, which in the case of the New York Central with its small proportion of stock capitalization would be very desirable. A fixed interest-bearing obligation of this road even without mortgage security is entitled to sell on nearly a 5.25% basis, so that irrespective of the convertible feature these debenture 6s are worth about their present price. In addition, they represent a call on the stock fourteen points above the market.

'Frisco Prior Lien 5s

As long as the reorganization of a railroad is fresh in the memory of the investing public, a certain stigma attaches to its securities which cannot be entirely effaced, regardless of how well the road is doing at present, or how bright its prospects appear. The natural aversion of the conservative element toward anything not yet well seasoned often causes obligations of such roads to sell below their real investment value. Issues which

fall within this category, when well secured by mortgage and amply protected by earnings, possess obvious attractions to those who purchase on the basis of an unprejudiced estimate of the actual intrinsic value of the bond.

A thorough readjustment of a railroad's capital structure obviates further trouble, for it is only when incompletely done in the first instance that successive reorganizations prove necessary.

St. Louis, San Francisco Prior Lien 5s constitute in effect a first mortgage on this entire system, radiating from St. Louis through the southwestern states and reorganized in 1916, since all but a small amount of the bonds ranking ahead of them are pledged under the Prior Lien Mortgage. The "Frisco" has for the last few years covered its interest charges satisfactorily, and in 1921 earned total income of \$18,600,000 against fixed charges of \$10,867,000. This year earnings are even better. The Prior Lien bonds which are issued in four different series at various rates of interest, are followed by \$75,000,000 Adjustment and Income bonds, upon which the full 6% has been paid since 1916, and \$58,000,000 par value of stock; thus having a substantial equity behind them.

Chic. & Eastern Illinois Gen. 5s

The Chicago & Eastern Illinois, a railroad whose receivership, which commenced in 1913, was recently terminated, is securing very favorable earnings, which ought eventually to restore its securities to the high level that they occupied before the receivership. Although its General 5s of 1951 have a large authorized issue which ranks ahead of them, none of the latter issue is outstanding in the hands of the public, and can be issued only for additions and betterments to the property. By eliminating unprofitable portions of its line, the C. & E. I. has greatly increased its net income, and for the current year earnings should amount to at least 50% more than fixed charges. The rapid rise in price of its stock issues even points to dividends at no distant date.

Southern Railways 4s

The Southern Railway is by all odds

RAILROAD BONDS

WELL-SECURED:	Maturity	Price About	Yield
Chesapeake & Ohio Conv. 5s.....	1946	97½	8.15
New York Central Conv. 6s.....	1935	107¼	8.20
St. Louis-San Francisco P. L. 5s.....	1950	88½	8.85
Southern Railway Gen. Dev. 4s.....	1956	71½	6.00
Chicago & Eastern Illinois Gen. 5s.....	1951	84½	6.10
SPECULATIVE:			
Erie Genl. Lien 4s.....	1996	55½	7.25
Chicago & Great Western 1st Mtge. 4s.....	1969	58½	7.25
New York, New Haven & H. Conv. 6s.....	1948	85	7.30
Chicago, Mil. & St. Paul Conv. 4½s.....	1932	74½	8.30
Inter. & Great Northern Adj. 6s.....	1952	54½	11.40

the most comprehensive system in the south, but hitherto has never proven a particularly lucrative road. Aided by the industrial revival slowly taking place in the cotton belt, it is now making rapid strides forward and the two bonds issued under its General and Development Mortgage, namely, its 4s and 6½s both due in 1956, which constitute its junior obligation, will be the main beneficiaries of this improvement. The increasing earnings are making their position more secure. With the further industrial development of the south, still in its first stages, will come more traffic and greater net income for the Southern Railway.

SPECULATIVE RAILROAD BONDS

The three latter bonds discussed, all of which at present prices give a liberal yield, are sufficiently well secured to be classed as safe investments, and in addition offer possibilities of gradual appreciation. There is a second group of railroad bonds, however, which must necessarily be classed as distinctly speculative. Whether they prove advantageous speculations, or the opposite, depends entirely upon what progress the roads make in restoring earnings to a basis that will cover fixed charges by a wide enough margin, to afford comparative safety to their bondholders. Much of course depends upon whether the old spread between revenues and expenses, that obtained before the war increased so tremendously the costs of operation, can be regained. It is upon this that most students of transportation base their expectation of a general improvement in the railroad situation.

Erie Gen. Lien 4s

The Erie, despite its notoriously bad financial record, is not doing so poorly at the present time. Last year it was able to show a small surplus over all charges only by virtue of the large dividend income which it obtained, presumably from its coal properties. This year operating income is far ahead of that for the corresponding period of 1921 and the end of 1922 ought to show a small amount earned on its preferred stock. Its General Lien 4s are secured by its Consolidated Mortgage and are superior in lien to its various series of convertible bonds. The fact that the Erie has come through the exceedingly unfavorable railroad conditions of the last few years without succumbing, as it has in every previous period of adversity, indicates that it is much stronger than formerly.

Chicago Great Western 1st Mtge. 4s

The Chicago Great Western running between the former city and Kansas City and St. Paul, lost heavily in 1921, and for the first seven months of the present year incurred a deficit of \$46,000. The poor showing so far seems to be largely the result of inordinately heavy maintenance charges, but explains the low price at which its First Mortgage 4s, its only large bond issue, are selling. The large cash

balance on hand the first of the year, no later figures being available, shows that it is in a satisfactory financial condition. Its traffic consisting largely of agricultural products compares favorably in density with that of other roads operating in the same territory, and prior to the war its interest charges were covered by a wide margin, its First 4s selling near 80. Better earnings in the last five months of the present year should place its bonds on a firmer basis.

New Haven Conv. 6s

In place of the large deficit incurred in 1921 New Haven is this year securing substantial earnings and may cover its fixed charges. With the successful extension for a period of three years of its \$27,000,000 European Loan, due April 1922, it has averted financial trouble from this source. It is a system which serves virtually without competition the greater

part of New England, and is about the only large steam railroad which derives approximately as much revenue from its passenger business as from its freight traffic. The recent decision of the courts granting New Haven a larger percentage of the joint rates on through traffic, which will mean several million dollars additional revenue per annum, should aid it in restoring its credit. The convertible 6s selling at 85 to yield 7.30% seem not unattractive from a speculative view-point and probably will sell higher should the road give a convincing demonstration that it had recovered full earning power on its bonds.

St. Paul Conv. 4½s

The Chicago, Milwaukee and St. Paul, for a time in very desperate financial straits, has eliminated its floating debt which was becoming formidable, largely
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Leading Sugar Company Bonds

IN view of the substantial improvement in the position of the sugar industry, the growing interest recently displayed in sugar securities seems to have a sound foundation in fact. Since the beginning of the year sugar prices have advanced about 50%, that is from about 2½ cents a pound for Cuban raws to about 3½ cents. This difference in price which has been equally reflected in the refined sugar market has been sufficient to change the position of the leading sugar companies from one of depression to one of comparative prosperity. In the meantime their securities have reflected this change in the fundamental position by scoring fairly extensive advances. It would appear, however, as can be seen from an examination of the yields afforded by the leading bonds of this group that they are still considerably out of line with other groups of bonds which have advanced to higher levels.

It will be noted from the accompanying table that the lowest yield offered by the sugar bonds is that of 5.60% offered by the American Sugar 6s whereas the highest is 9.26% offered by the Cuba Cane 8s. Those familiar with the position of

the various sugar companies, of course, will realize that there is a good reason for the spread in the yield offered by the American Sugar 6s and that offered by the Cuba Cane debentures. In between these issues are the bonds of the Cuban-American, Manati and South Porto Rico Sugar companies offering yields of from 6.50 to 7.50%.

All of the bonds listed in the accompanying table have a ready market on the New York Stock Exchange and have been attracting the attention of investors on an increasing scale during the past few months.

A rather unfavorable feature is that they are callable within comparatively early periods though it will be noticed that the callable price of the Cuba Cane debentures and the Manati Sugar 7½s are still far away from the market. Aside from the callable feature, however, these sugar bonds, in varying degrees, are attractive for investment on account of their high yields and improving prospects and will undoubtedly sell on a basis where the yields will not be quite so high as they are at the present time.

LEADING SUGAR COMPANY BONDS

	Due	Callable	Price	Yield
American Sugar 6s.....	1937	@ 105 up to Jan. 1, 1927; thereafter ½% less for each year until Jan. 1, 1931; thereafter at 102½ and int.	104	5.00%
Cuban-American 8s.....	1931	@ 107½ and int.	106	7.00%
Cuba Cane 7% deb.....	1930	@ 107½ for 1st 5 yrs.; @ 105 during 6th yr.; @ 104 during 7th yr.; @ 103 during 8th yr.; @ 102 during 9th yr.; @ 101 thereafter.	7s ½ 92	8.60%
8% deb.....	1930		8s ½ 89	9.25%
Manati 7½s.....	1942	@ 110 up to Oct. 1, 1930; thereafter at prices decreasing 1% annually.	99	7.50%
South Porto Rico 7s.....	1941	@ 105.	102	6.50%

What Equipment Bonds Offer

Relative Merits of This Type of Bond as Compared With Other Bonds

By W. M. GEOFFREY

(This is the third of a series of articles dealing with the leading bond classes, such as Governments, Municipals, Real Estate Mortgage Bonds, Equipment Trusts, Guaranteed Bonds, etc.)

PREVIOUS articles in the series of which this is the third brought out the more important facts relating to two prominent types of bonds, viz., the Government bond and the Mortgage bond.

In the case of the Government bond, it was shown that, however much faith may have seemed to be justified in issues of this class before the war, present-day conditions with at least six Governments in a highly uncertain financial position render a wise selection of Government securities a somewhat difficult undertaking. The investor was specifically cautioned against hasty commitments, particularly in the securities, not to speak of the money, of the Central Powers and Russia; while most of the rest of the government field, with the inevitable exception of the United States, Canada and Great Britain, was characterized as at least bordering upon the hazardous.

The article dealing with Mortgage bonds pictured a different situation. It was shown that bonds in this class, when issued by reputable concerns of long standing were surrounded by a number of safeguards which rendered selection comparatively easy. Nevertheless, it was emphasized that the character of the issuing concerns was a factor of immense importance, and investors were not encouraged to buy into this field without careful investigation.

There is another underlying bond group which now deserves mention and the careful consideration of all enterprising investors. Unlike the Government

field, it is almost rock-ribbed; that is to say, investments confined to it come very near to being ideal simply as a class, and almost without regard to the issuing corporation; and, like the Mortgage Bond field, it frequently offers a higher rate of return, considering the degree of safety, than the average bond opportunity.

Equipment Trusts

Equipment trust securities are not, by any means, a new form of financing. The earliest known form of equipment trust has been traced back almost 80 years, or when a small navigation company purchased a number of barges on deferred payment. But the greatest growth has been in the last quarter-century. This is indicated by the following estimate of the amount of equipment bonds, or car trusts, outstanding at various times since 1890:

EQUIPMENT BONDS

Year	Outstanding
1890.....	\$49,000,000
1900.....	60,000,000
1903.....	142,000,000
1905.....	200,000,000

CAR TRUSTS

1910.....	\$350,000,000
1915.....	500,000,000
1921.....	1,000,000,000

REPRESENTATIVE EQUIPMENT ISSUES

Company	Maturity	Yield
N. Y. Central Lines equip. 7s.....	1929-1937	4.90%
Illinois Central equip. 7s.....	1929	5.00%
Louisville & Nashville equip. 6s.....	1933-1935	5.15%
St. Louis-San Francisco equip. 6s.....	1930-1935	5.35%
Erie Railroad equip. 6s.....	1926-1928	5.45%

In the beginning, equipment obligations were devised to meet the special needs of corporations handicapped by large debts. Such a corporation, obviously, would be in no position to raise new funds for purchase of equipment through the use of a general mortgage. As Prof. W. E. Lagerquist, in his highly valuable book "Investment Analysis," has put it:

"No investor was willing to purchase a weak railroad's bonds or notes whose tangible security depreciated in fifteen years or less and was junior to all existing funded debt outstanding at the time of the issue.

This condition necessitated the creation of an equipment obligation which could be separated from the other funded indebtedness of the railroad. Out of this plan, the new form of security originated."

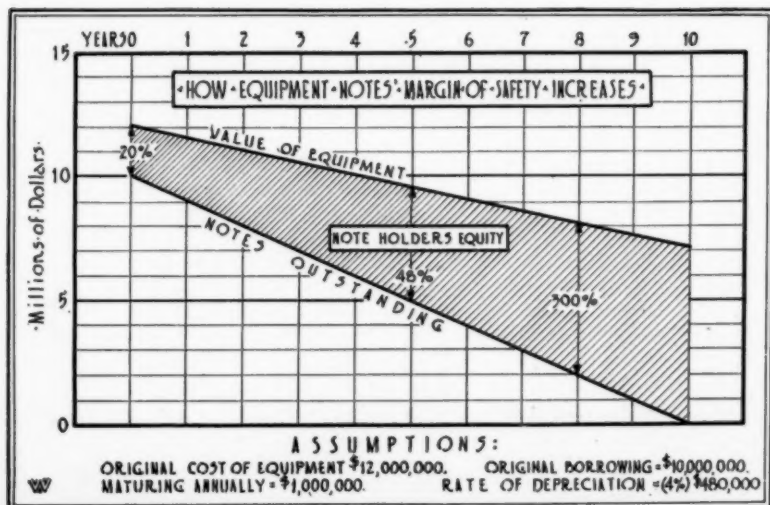
Gradually, what had been a form of emergency financing employed for the most part by corporations of uncertain financial standing developed into a far more significant and representative institution. It had advantages which gave it an especial appeal even to railroads of the very highest standing. For one, it separated equipment obligations from other funded debts. For another, the distribution of maturity dates permitted a constant reduction in fixed charges. Today, as the above table shows, equipment issues representing practically every important railroad system in the country are available for investment.

The new investor who investigates the equipment field will find the class split up into two subsidiary classes, the *car trust certificate* and the *equipment bond*. In the interests of thoroughness, a brief definition of each class may be given:

Car Trust Certificates: The original type of equipment issue, known as the Philadelphia Plan because having certain non-taxable features in Pennsylvania. In practice, the XYZ railroad contracts to purchase required equipment from the ABC Locomotive Works. The road makes an initial payment, but does not acquire title to the property. An agreement is then entered into between the XYZ road and a third party, often a trust company, who thereupon leases the equipment to the road. This lease is then assigned to a Trustee, interest bearing certificates are issued against it and sold to the public, and the proceeds of this sale are used to reimburse the manufacturer. Thereafter, title to the equipment remains with the Trustee for the benefit of certificate holders until all obligations of the issue have been paid.

Equipment Bond: The more modern type of equipment issue, sometimes known as the "New

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BOND MARKET SLOWS UP

Only Speculative Bonds Show Strength in Dull Market

THE bond market in the past two weeks was more inactive than for any similar period in the past few months. Very few bonds registered gains that could be considered striking. The market as a whole was just firm and in some respects was reactionary.

Foreign bonds showed a mixed trend. The strongest issues in this group were the U. K. 5½s, City of Copenhagen 5½s and the Kingdom of Sweden 6s. The gains in this group, however, were merely fractional. Other foreign bonds stood still or reacted fractionally.

There was a slight downward tendency in the highest-grade railroad bonds. Most bonds in this category are quoted on a 4½% yield basis where they are on approximately the same level with money rates. In this light, they would seem to have discounted money conditions and that they will sell on a materially lower basis unless money rates themselves again decline is improbable. The highest-grade industrial bonds likewise showed a slight downward tendency with the Baldwin 5s losing about a point. The gilt-edge public utilities were practically unchanged.

In the middle-grade bonds, the B. & O. 1st 4s were up 2 points, whereas the C. & O. convertible 5s lost 1½ points. Pere Marquette 1st 5s, on the other hand, were strong and gained 1½ points. Marine 6s were weak in sympathy with the stock and lost 2½ points. It should be pointed out, however, that the Marine 6s are in a strong position and the temporary depression in the shipping industry should have no great effect on these bonds. Illustrating the tendency of bonds to move in sympathy with the stocks of their companies, the Computing-Tabulating-Recording 6s gained a point in sympathy with the unusual strength of the stock.

There were some really striking changes in the public utility group of bonds. Thus Public Service of New Jersey 5s gained 3½ points, Brooklyn Edison about 2 points, Interborough 5s 3½ points, Third Avenue refunding 4s about 2 points and Va. Railway & Power 5s about 5 points. These gains reflect growing public opinion that as a group public utility bonds are still out of line with the improvement in the money market and in public utility affairs generally.

There were also some good gains in the speculative railroad group. Western Maryland 1st 4s gained a point, M. K. & T. were up nearly 4 points, and the Frisco Adjustment 6s were up a point. On the other hand, the Chicago & Great Western 1st 4s lost nearly 3 points.

It will be noticed that the greatest activity was shown in the more speculative group of bonds whereas the highest grade stood comparatively still. This would serve to suggest that speculative interest in bonds is out of the gilt-edge bonds on account of their already large advances and is now being more and more exhibited in the lower-grade category of bonds.

BOND BUYERS' GUIDE

	App. Price	App. Yield	Int. Earned on entire funded debt
BETTER GRADE			
Foreign Governments.			
1. City of Christiania (b) 8s, 1945.....	109½	7.15	.....
2. Danish Municipal (b) S. K. 8s, 1946.....	110	7.10	.....
3. City of Zurich (b) 8s, 1945.....	114	6.80	.....
4. City of Copenhagen (b) 5½s, 1944.....	93	6.10	.....
5. Kingdom of Sweden 6s, 1939.....	105½	5.50	.....
6. Argentine (c) 5s, 1945.....	83	6.40	.....
7. U. K. of Gr. Britain & Ireland (c) 5½s, 1937.....	105½	5.00	.....
8. Dominion of Canada (c) 5s, 1931.....	100	5.00	.....
MORE SPECULATIVE			
1. Kingdom of Italy (d) 6½s, 1935.....	98½	7.80	.....
2. Republic of Chile (b) 8s, 1941.....	103½	7.55	.....
3. Sao Paulo (b) 8s, 1936.....	101½	7.80	.....
4. U. S. of Brazil 8s, 1941.....	101½	7.85	.....
GILT EDGE			
1. Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1935.....	93½	5.80	90½
2. Ches. & Ohio (a) Genl. Mtg. 4½s, 1938.....	89½	5.05	2.20
3. Delaware & Hudson (a) 1st & Ref. 4s, 1943.....	92½	4.55	1.65
4. Southern Pacific (b) 1st Ref. 4s, 1955.....	91	4.55	1.65
5. Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958.....	92½	4.40	2.40
6. N. Y. Central Genl. Mtg. 3½s, 1937.....	80¾	4.87	1.80
7. N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937.....	90¾	4.90	2.35
8. Atlantic Coast Line (a) 1st Mtg. 4s, 1952.....	90¾	4.60	1.55
9. Pennsylvania (a) Genl. Mtg. 4½s, 1958.....	94½	4.80	2.20
10. West Shore (a) 1st Mtg. 4s, 1931.....	84½	4.80	..
11. Norfolk & Western (c) Cons. 4s, 1936.....	93¾	4.80	2.95
12. Central R. R. of N. J. (a) Genl. Mtg. 5s, 1937.....	110	4.50	1.40
13. Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1938.....	84½	4.75	1.00
Industrials.			
1. Armour & Co. (a) R. E. 4½s, 1939.....	91½	5.25	..
2. General Electric (b) Deb. 5s, 1952.....	101¾	4.90	6.75
3. International Paper (a) 5s, 1947.....	89	5.80	5.55
4. Indiana Steel (a) 5s, 1952.....	100	5.00	16.70
5. Liggett & Myers (a) Deb. 5s, 1951.....	100	5.00	4.65
6. Baldwin Loco. (a) 5s, 1940.....	101¾	4.95	..
7. National Tube (a) 5s, 1952.....	100¾	5.00	..
8. Corn Products (a) 5s, 1934.....	99 bid	N. of'd	60.70
9. U. S. Steel (a) 5s, 1953.....	103¾	4.80	8.70
Public Utilities.			
1. Duquesne Light (b) 6s, 1949.....	104½	5.70	3.40
2. American Tel. & Tel. (c) 5s, 1948.....	99¾	5.00	2.80
3. Philadelphia Co. (c) 6s, 1944.....	101¾	5.95	..
4. N. Y. Telephone (b) 4½s, 1939.....	95½	4.90	..
5. Montana Power (c) 5s, 1937.....	99	5.10	2.90
6. Cal. Gas & Electric (a) 5s, 1937.....	97	5.80	4.15
7. N. Y. G., E. L., H. & P. (a) 5s, 1948.....	100	5.00	2.10
8. Pac. Tel. & Tel. (a) 5s, 1937.....	98½	5.12	1.75
MIDDLE GRADE			
1. Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931.....	93¾	5.45	2.40
2. Ches. & Ohio (b) Conv. 5s, 1940.....	98	5.12	1.55
3. Missouri, Kansas & Texas Prior Lien 5s, 1962.....	86½	5.85	..
4. St. Louis-San Fran. (a) Prior Lien 4s, 1950.....	74¾	5.80	1.60
5. Balt. & Ohio (b) 1st Mtg. 4s, 1948.....	88	5.80	0.80
6. Illinois Central (b) Col. Trust 4s, 1952.....	80	4.90	2.25
7. Pere Marquette (c) 1st Mtg. 5s, 1950.....	100¾	5.00	2.05
8. Kansas City Southern (a) 1st Mtg. 3s, 1950.....	71	4.90	1.70
9. Southern Pacific (b) Col. Trust 4s, 1949.....	89¾	4.70	2.40
10. St. Louis Southwestern (a) 1st Mtg. 4s, 1939.....	80	5.05	2.00
11. Chic. & Eastern Ill. (c) Gen. 5s, 1951.....	84½	6.12	2.10
Industrials.			
1. South Porto Rico 1st Mtg. 7s, 1941.....	102½	6.75	5.50
2. Sinclair 1st Lien, Col. Tr. 7s, 1937.....	100¾	7.00	2.70
3. Wilson & Co. (a) 1st 6s, 1941.....	102	5.80	2.10
4. Adams Express (b) 4s, 1948.....	80¾	5.37	2.00
5. Comp. Tab. & Recording (b) 6s, 1941.....	97½	6.22	5.45
6. Int. Merc. Marine (b) 6s, 1941.....	93¾	6.02	5.15
7. Lackawanna Steel (c) 5s, 1950.....	82½	5.50	6.00
8. U. S. Rubber (c) 5s, 1947.....	90½	5.70	2.35
9. Amer. Smelting & Refining (c) 5s, 1947.....	94½	5.40	5.00
10. Goodyear Tire (c) 5s, 1941.....	114½	6.62	9.55
Public Utilities.			
1. Public Service Corp. of N. J. (a) 5s, 1959.....	89½	5.70	..
2. Detroit Edison (c) Ref. 5s, 1940.....	97½	6.25	2.80
3. Brooklyn Union Gas (a) 5s, 1945.....	90¾	6.05	1.35
4. Northern States Power (b) 5s, 1941.....	94¾	5.50	1.80
5. Brooklyn Edison (c) 5s, 1940.....	95¾	5.10	2.20
6. Utah Power & Light (a) 5s, 1944.....	85	5.55	1.80
7. Cumberland Tel. & Tel. (b) 5s, 1937.....	94	5.60	1.70
Railroads.			
1. Western Maryland (a) 1st Mtg. 4s, 1952.....	68	6.40	.70
2. Iowa Central (a) 1st Mtg. 5s, 1938.....	81	7.00	..
3. St. Louis Southwestern (a) Cons. Mtg. 4s, 1932.....	79½	6.85	2.00
4. St. Louis-San Francisco (a) Adj. Mtg. 5s, 1955.....	84¾	7.25	1.90
5. Mo., Kansas & Texas Adj. Mtg. 5s, 1967.....	63½	8.00	..
6. Erie (a) Genl. Lien 4s, 1936.....	84½	7.40	0.70
7. Southern Railway (a) Genl. Mtg. 4s, 1936.....	71¾	6.00	1.85
8. Missouri Pacific (b) Genl. Mtg. 4s, 1975.....	69	5.90	.80
9. Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938.....	82	5.75	1.40
10. Chic. Gt. Western (a) 1st 4s, 1959.....	89½	7.10	..
11. Denver & Rio Grande 1st Ref. 5s, 1955.....	48¼	10.70	..
12. Int. & Great Northern Adj. 6s, 1952.....	54¾	11.40	0.60
Industrials.			
1. Chile Copper (b) 6s, 1932.....	94½	6.75	3.80
2. Va.-Carolina Chemical (c) 7½s, 1933.....	105½	6.75	2.75
3. American Writing Paper (a) 6s, 1939.....	86¾	7.40	1.90
4. American Cotton Oil (a) 5s, 1931.....	90¾	6.37	3.15
5. Cuba Cane Sugar (c) 7s, 1930.....	90	8.75	..
Public Utilities.			
1. Hudson & Manhattan (c) Rfdg. 5s, 1957.....	87	5.88	1.00
2. Intr. Rapid Transit (a) 5s, 1936.....	73½	6.90	1.60
3. Third Avenue (b) Refg. 4s, 1960.....	66½	6.37	1.80
4. Va. Railway & Power (a) 5s, 1934.....	85½	6.80	..

(aa) Lowest denomination, \$5,000. (b) Lowest denomination, \$500. (d) Lowest denomination, \$50.
(a) Lowest denomination, \$1,000. (c) Lowest denomination, \$100.

(x) This issue was created on May 1, 1921.
† This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

* Number of times over interest on these bonds was earned.
** Earnings are not reported separately.

† This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Respective Departments

ROSEMARY MANUFACTURING COMPANY 7½s

Not Very Attractive

What is your opinion of the Rosemary Manufacturing 7½s bonds recently offered at par?—N. Z. R., Lynn, Mass.

Rosemary Manufacturing Co. \$1,500,000 7½s gold bonds due 1937 are a direct obligation of the company and are secured in addition by pledge with the trustee of 15,240 shares of the Roanoke Mills Co. having a book value, exclusive of patents and good-will, of \$1,759,000. The Rosemary Manufacturing Co. and its subsidiary the Roanoke Mills Co. operate five mills with 97,518 spindles and 2,776 looms. They produce 60% of all damask made in the United States. Average annual net earnings for the last six years were over four times interest requirements on this issue. The proceeds of this financing will be used to complete the acquisition of the controlling interest in the Roanoke Mills. While these bonds are entitled to consideration as a business man's investment we would suggest instead the Martel Mills 7% bonds described on this page as they give just as high a yield and are a first mortgage on all the fixed property of the company whereas this issue is not a first mortgage.

OHIO BELL TELEPHONE

7% Preferred

Your opinion of Ohio Bell Telephone 7% preferred stock offered at 102½ will be appreciated.

Ohio Bell Telephone is a subsidiary of the American Telephone & Telegraph Co. It does the entire business of the latter company in Ohio except in Cincinnati and suburbs. Company owns and operates 481,550 telephones and through its connection stations 363,877. Besides owning the entire issue of \$28,500,000 common stock American Telephone owns \$18,000,000 of the \$28,165,900 preferred stock outstanding. At the offered price of 102½ the yield is 6¾%. We regard the stock as an attractive investment at this price.

CHICAGO JOINT STOCK LAND BANK

5% Farm Loan Bonds

I am interested in tax exempt bonds and contemplate the purchase of some Chicago Joint Stock Land Bank 5% Farm Loan Bonds recently offered at a price to yield nearly 5%. This is a liberal return for a tax-exempt security and I would like to have your opinion as to whether they are a conservative investment in every way.—D. J. L., De Kalb, Ill.

Chicago Joint Stock Land Bank 5% Farm Loan bonds are exempt from all Federal, State, Municipal and local taxation. This issue falls due May 1, 1952, and the yield at the offered price of 103¼ would be close to 5% if held to maturity. However, the issue is callable May 1,

1932, or any interest date thereafter at par. If called in 1932 the yield is only 4.60%. By act of Congress these bonds are declared instrumentalities of the United States Government, legal investments for all fiduciary and trust funds under the jurisdiction of the Federal Government; acceptable at par as security for Postal Savings and may be accepted as security for other deposits of Government funds. We regard this as an attractive tax-exempt security and a conservative investment.

D. G. DERY CORP. 7s

Another Bond Suggested

How do you regard the D. G. Dery Corporation 7% bonds? Is there any other bond giving as high a return that you would consider a better purchase?—F. C., Hartford, Conn.

D. G. Dery Corporation \$4,000,000 1st mortgage 7s due 1941 are secured by a first mortgage, subject only to \$373,000 purchase money mortgages, on fixed assets appraised as of June 30, 1922, by Sanderson & Porter at more than twice the amount of the bond issue. For the five years ended December 31, 1921, earnings have averaged four times the interest requirements on this issue. This company is the largest manufacturer of broad silks in the United States, present capacity being 20,000,000 yards. While these bonds appear to be reasonably well secured we would prefer Sinclair Consolidated 1st Lien & Collateral 7s, due 1937, selling at par as this issue gives the same return, has an excellent market on the New York Stock Exchange and in our opinion the security is greater as assets are about five times the bond issue.

ROSSIA INSURANCE CO.

Stock Offering

Do you consider the recent offering of Rossia Insurance Co. of America recently put out at 95 attractive from a semi-speculative viewpoint?—G. L. P., Boston, Mass.

Rossia Insurance Co. of America succeeded in 1919 to the business of United States branch of Insurance Company Rossia of Petrograd which was established in 1904. It writes exclusively fire and marine reinsurance. The company has reinsurance contracts with the leading direct-writing insurance companies which gives a wide geographic distribution of risk. For the five years ended Dec. 31, 1921 total income averaged \$593,448. Dividends of \$6 a share which is the rate contemplated for the stock will require \$288,000 per annum. The company has a liquidating value at the present time of \$102 a share estimating that 33¼% of premium reserves will accrue to stockholders. At the offered price the stock is fairly attractive as a semi-speculative investment, but in our opinion there are many better opportunities to be had.

BRADY-WARNER COAL 7s

Yield 7.25%

I am considering the purchase of a bond of the Brady-Warner Coal Corp., which is offered at a price to yield 7.25%. Would like to have your opinion as to whether there is sufficient security behind them to justify a business man making an investment?—F. K. H., Canton, O.

Brady-Warner Coal Corporation \$1,100,000 1st mortgage 7% bonds due 1942 are an absolute 1st mortgage on 13,643 acres of coal land owned in fee and upon the company's leasehold interest in 1,377 additional acres of land. The value of these properties as independently appraised is over three times the amount of the bond issue. For the five years ended December 31, 1921, net earnings before depreciation averaged \$257,978 per annum as against interest requirements on this issue of \$77,000. Company's present equipment is capable of producing 770,000. Proceeds of this bond issue will be used mainly for acquisition of new properties and plant enlargement which it is estimated will increase capacity to 1,200,000 tons. A sinking fund of 10 cents per net ton of all coal mined begins September 1, 1923. Properties are in West Virginia and have been in operation from five to eighteen years. The management is well regarded. We regard the bonds as a suitable business man's investment.

MARTEL MILLS 7s

In a Favorable Position

I am offered bonds of the Martel Mills at 95½ which gives a return of 7½%. I would appreciate having your opinion of this security.—H. G. E., Chicago, Ill.

Martel Mills Inc. is acquiring eight cotton mills heretofore owned by affiliated companies. The management remains the same. The \$2,000,000 1st mortgage 7% bonds Series "A" due 1937 are secured by a 1st mortgage on all the fixed assets of the company valued by the American Appraisal Co. April 1, 1922, at \$4,501,000. In addition, company will have a working capital, after giving effect to this financing of \$2,200,000, making total assets 3½ times bond issue. Combined net profits of the eight mills for the five years ended December 31, 1921, averaged 5½ times interest requirements on this issue. They are convertible in 7% cumulative preferred stock at the rate of 10 shares of stock for each \$1,000 bond and in addition four shares of common if converted before March 31, 1924; three shares before March 31, 1925; two shares before March 31, 1926; one share before March 31, 1927. For a bond giving so high a return the security appears to be quite high and the properties have shown an excellent earning power. In 1921, a poor year for this industry, earnings were 4½ times interest on this issue. We regard the bonds favorably.

Railroads

Selecting the Best Railroad Stocks

A Comparison of the Leading Securities in this Field

By JOSEPH M. GOLDSMITH

BECAUSE of the low yields now obtainable on well-secured bonds, due to the substantial rise in bond prices that has taken place during the last year, the conservative individual who wants to receive a fairly good return on his money is now turning to dividend-paying stocks of the better grade. He is not interested so much in how the prices of these stocks move subsequent to his purchase, but is primarily concerned with the amount of income that he will derive from his investment.

Consequently in buying stocks for investment one should look for those which can be reasonably expected to maintain their present or a higher dividend rate over a long period. The larger number of stocks which best meet this requirement are to be found in the railroad group, due to the greater stability of railroad earnings as compared to those of the ordinary industrial enterprise. A manufacturing plant may completely shut down in bad times, but a railroad always has traffic to handle.

A Fair Guide

In selecting the particular stocks most likely to yield a steady income, the only information upon which we can base our judgment is what has occurred in the past. As inadequate and unreliable as this often proves it is nevertheless valuable. Dividends depend on earnings. If a railroad earns enough it will usually continue to pay at its established rate. If it does not have sufficient earnings very soon the dividend rate is bound to be cut. Roads that have proven good earners in the past, unless conditions change materially, will in all probability continue to do well. One has no right to assume that the future will necessarily be a repetition of the past, but if he gives due weight to new factors which may have a material influence, it is a pretty fair guide.

Therefore, it is in the railroad stocks that have good dividend records behind them that we are especially interested. The table enumerates all the important ones now paying dividends of \$6 per share or more, and it is not a very long list when one considers the large number of American railway systems. Everyone of those mentioned has paid dividends for at least ten years, in many cases at the present rate over the entire period, in bad years as well as in years of favorable railroad earnings.

The investor may well ask why it is

that in a list like the above there should be in some cases such a marked difference in price between stocks paying the same dividend. Why is it for instance that Louisville & Nashville which pays \$7 sells at 138, while Illinois Central is only 110 and Great Northern but 93, although all three pay the same rate? The answer is that people look to the future and try to buy those stocks which they think may soon bring them a larger income, and to avoid purchasing those about whose dividend rate they are uncertain.

Prices of Stocks Explained

The price of a stock not only reflects what it is paying now, but also what the market thinks it will pay later on. Dividends it has paid last year or the year be-

of whose stock is owned by Great Northern. Consequently, many people, ignoring the brighter prospects now in sight, still fear a cut in the dividend rate. Their reluctance to purchase explains the low price. The writer, however, does not anticipate any reduction in Great Northern's present rate and consequently regards it a good investment.

The Cream of the Railroad List

There is no apparent reason why Southern Pacific should sell so much below Atchison and it seems an advisable purchase at its current level. There is also a possibility that either Atlantic Coast Line or Norfolk and Western may decide to pay more than the usual 7% because of their enormous earnings, but no

HOW THE LEADING RAILROAD STOCKS COMPARE

STOCK	Dividend	Price About	Yield %	Earnings	
				1921	1922*
Union Pacific	\$10	149	6.71	\$12.29	9.00
Canadian Pacific	10	145	6.90	11.52	7.40
Delaware & Hudson	9	129	6.98	11.61	.....
Del., Lack. & Western	8½¢	132	6.44	11.33	5.00
Atlantic Coast Line	7	117	6.00	2.60	20.70
Norfolk & Western	7	123	5.69	7.51	20.25
Louisville & Nashville	7	138	5.07	.....	21.65
Great Northern	7	93	7.52	11.41†	.....
Illinois Central	7	110	6.36	9.29	14.30
Atchison	6	103	5.83	11.29	7.45
Southern Pacific	6	94	6.38	8.93	7.15

* Estimated on basis of earnings for first 7 months of 1922.

† Due in large part to extra "Burlington" dividend.

‡ \$6 regular dividend and \$2.50 extra this January.

§ First five months.

fore do not put money in the pocket of the man who buys now. The importance of the future cannot be emphasized too strongly. The market may be wrong, and often is, as to what may be expected in regard to a particular security, but the price always represents the current opinion as to the future.

This explains why one must pay 45 points higher for Louisville and Nashville than for Great Northern. While there is a good possibility of the income from the former being increased, as the declaration of a stock dividend only awaits the permission of the Interstate Commerce Commission, there is no prospect of getting more than 7% out of Great Northern in the near future. The latter's earnings during the last few years have been poor, for the large net income of last year was due to an extra dividend which was paid by the "Burlington," half

other ground exists for this belief. If Louisville and Nashville's proposed plan for a large stock dividend goes through and the 7% rate is continued, it will yield an excellent return on its present market price.

The stocks which comprise the above list can be regarded as the cream of the railroad stocks. It is in such steady dividend payers as these that the individual who wants a reasonably assured return on his money should invest. The non-dividend payers and those with an irregular and interrupted dividend record are alright for the speculator who keeps thoroughly familiar with the financial position of the railroads in whose shares he operates, but for the man who now and then has a few dollars to place in high grade income-producing securities, stocks of the above calibre will be most satisfactory.

Western Maryland's Earnings Increase

Road Making Best Showing in Its History—Mortgage Bonds Entitled to Higher Investment Rating

By ARTHUR J. NEUMARK

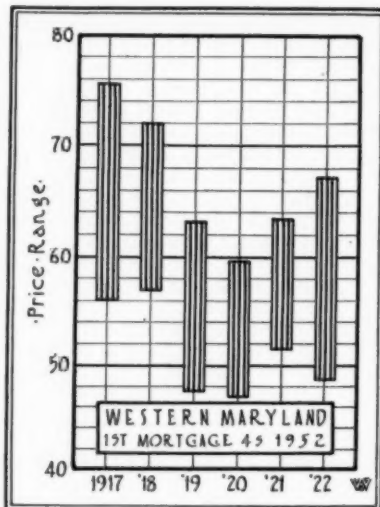
THE Western Maryland Railway, despite its very favorable location, has not been able to operate on a profitable basis, primarily because it has not had the proper affiliation with connecting roads and has therefore been unable to compete successfully with Baltimore & Ohio, its chief competitor, and because of overcapitalization. The road was reorganized in 1917. Fixed charges were reduced considerably (about 28%) and a new issue of first preferred stock was created, the proceeds from which went to pay off \$18,000,000 of matured note indebtedness, including overdue interest.

The most important step taken by directors of this road a few months after reorganization was the acquisition of over 96% of the prior lien stock of the Wheeling & L. Erie Ry., which was undergoing reorganization at the time. The importance of this acquisition is not so much in the value of the stock as in the affiliation that it gives Western Maryland with Wheeling & L. Erie. The interchange of traffic between these two roads is particularly beneficial to Western Maryland as it affords the road a new outlet for its heavy coal traffic and vice versa brings new traffic to the road.

As the two roads do not connect at any point, it is necessary to use the Baltimore & Ohio lines between Wheeling, Ohio, the southernmost point of Wheeling & L. Erie and Belington, W. Va., on the Western Maryland line. Traffic may either be routed this way or over the company's trackage rights between Fairmount and Connellsville. Before the affiliation of these two roads it was only natural that Wheeling & L. Erie, because of its connection with B. & O., should route its eastbound traffic over the latter's lines, but as Wheeling & L. Erie competes with B. & O. on almost all its lines extending through Ohio to Lake Erie it never really enjoyed a profitable interchange of traffic with this road. On the other hand Western Maryland must turn over to Wheeling & L. Erie its westbound and a good part of its Great Lake traffic.

Lack of Proper Connections a Handicap

It is the opinion of the writer that this new connection is just what was needed to materially strengthen the road and en-



able more economic handling of the rolling stock.

Western Maryland has always had an outlet for its coal traffic to the Lakes over the Pittsburgh & Lake Erie lines, a subsidiary of the Pennsylvania System. It links up with this road at the large coal center, Connellsville, Pa. This connection is not as valuable, however, as the one with Wheeling & Lake Erie, as Pittsburgh and Lake Erie does not bring much traffic to the road, because of its affiliation with Pennsylvania which is in a position to supply a good part of the territory served by Western Maryland via its branch lines. In addition, Wheeling & L. Erie traverses a more highly industrialized section than Pittsburgh & Lake Erie. However, this double outlet to the Lakes has materially improved Western Maryland's position.

The eastern outlet of the road is over the Philadelphia & Reading lines from Shippensburg, Pa. Here again the road is handicapped by the fact that it is only able to obtain a very limited amount of traffic in return from Reading as the latter road is closely affiliated with B. & O., which parallels Western Maryland from Shippensburg to Connellsville.

It is these conditions that have made it extremely difficult for the road to operate at a profit. Inability to obtain enough higher grade traffic for the return trips of its freight cars.

The main line of the road extends to

Baltimore, Md., which is really the only large terminal center the road enters. Here again it competes with Baltimore & Ohio for tidewater traffic and, of course, obtains the short end.

The Coal Properties

As has been previously indicated Western Maryland is primarily a bituminous coal road, approximately 57% of its traffic being obtained from this source. The company owns and controls about 134,105 acres of coal land, of which 111,539 acres are located along the line of its West Virginia division and 22,566 acres along the B. & O. mileage. Under the reorganization plan, Western Maryland leased all of its coal mining properties to the Davis Coal & Coke Co., and its reserve lands to the Monongalia Coal Lands Co. Subsequently the Davis Coal & Coke Co. took on all the assets of the Monongalia Co.

Second in importance to its coal traffic is the tonnage in manufactured goods handled. This traffic constitutes about 14% of the total. The heaviest traffic is carried on in petroleum, bar and sheet iron, structural iron and iron pipe and cement.

Last year Western Maryland increased its haul of agricultural products considerably. This is in a line with its efforts to build up grain elevators and storage facilities in recent years at its terminal at Port Covington, Baltimore. At the present time the company has facilities for storing 3,500,000 bushels of grain. Tonnage of wheat, corn, and other agricultural products in 1921 totaled 884,625, compared with 809,415 tons in the previous year, an increase of almost 10%.

Road and Equipment in Good Condition

Nothing can be said in criticism of the maintenance policy of this road since reorganization. Expenditures on road and equipment have been very heavy in recent years and consequently the road is in good physical shape at this time. Total maintenance charges for the three years ended December 31st, 1920 averaged over 50% of gross revenues and in 1921 amounted to 35% of gross. Unusually heavy charges were made during the period of federal operation to make up for the inadequate maintenance charges

of previous years. Under normal conditions maintenance expenditures should average around 40% of gross and as deferred maintenance has probably been taken care of by this time charges in excess of this percentage will probably not have to be made in the coming years. The improvements along the road-bed and heavier rails now in use afford a good picture of what has been done since reorganization. On June 30th, 1916 the average weight of rails in main and second tracks was 83.5 lbs. per yard and on December 31st, 1921 the average weight was 84.1 lbs. On June 30th, 1916 the percentage of cinder and slag in the ballast was but 20 and on December 31st, 1921, over 72% of the ballast contained cinder and slag. A reduction of 10% in maintenance charges on the basis of the present volume of traffic would effect a saving of over \$1,700,000 per annum, or almost sufficient to take care of an entire year's interest on the company's first mortgage bonds.

Position of First Mortgage Bonds

The only long term funded obligation of the Western Maryland Ry. Co. outstanding is the \$46,566,000 first mortgage 4s of 1952. There are also outstanding \$5,500,000 of 8% secured notes, which mature on August 1st, 1923, and \$1,572,800 of 6% secured notes to the Government, \$300,000 of which also mature on August 1st, 1923 and the balance in 1931. The balance of the outstanding bonds consists of issues of affiliated companies

aggregating about \$2,700,000 and \$7,438,800 of equipment trusts.

Since issued the first mortgage 4s have never enjoyed a very good investment rating. In a nutshell the reason for this can be attributed to the small margin of earnings over interest requirements and the large amount of bonds outstanding per mile of road covered. There are reasons, however, why these bonds should command a higher investment position in the near future.

The 4s are a first mortgage on 378.3 miles of road, comprising a good part of the most valuable part of the system. These bonds are an absolute first lien on the road from Cumberland, Md., to Belington, W. Va., which is the branch line running through the rich coal fields of West Virginia. The bonds are a second lien on 102.4 miles.

As previously mentioned, one of the drawbacks in the issue is the large amount outstanding per mile of road. The 4s are outstanding at the rate of \$93,626 per mile or more than double the per mile rate of other sound coal roads, but the issue is also secured by deposit of practically all the outstanding stock of subsidiary companies on whose mileage these bonds are a second lien. The stock of other affiliated companies is also deposited as security for these bonds. These securities have an aggregate par value of \$2,619,150, but the actual value is probably considerably in excess of this amount.

Making full allowance for the large amount of 4s outstanding per mile of

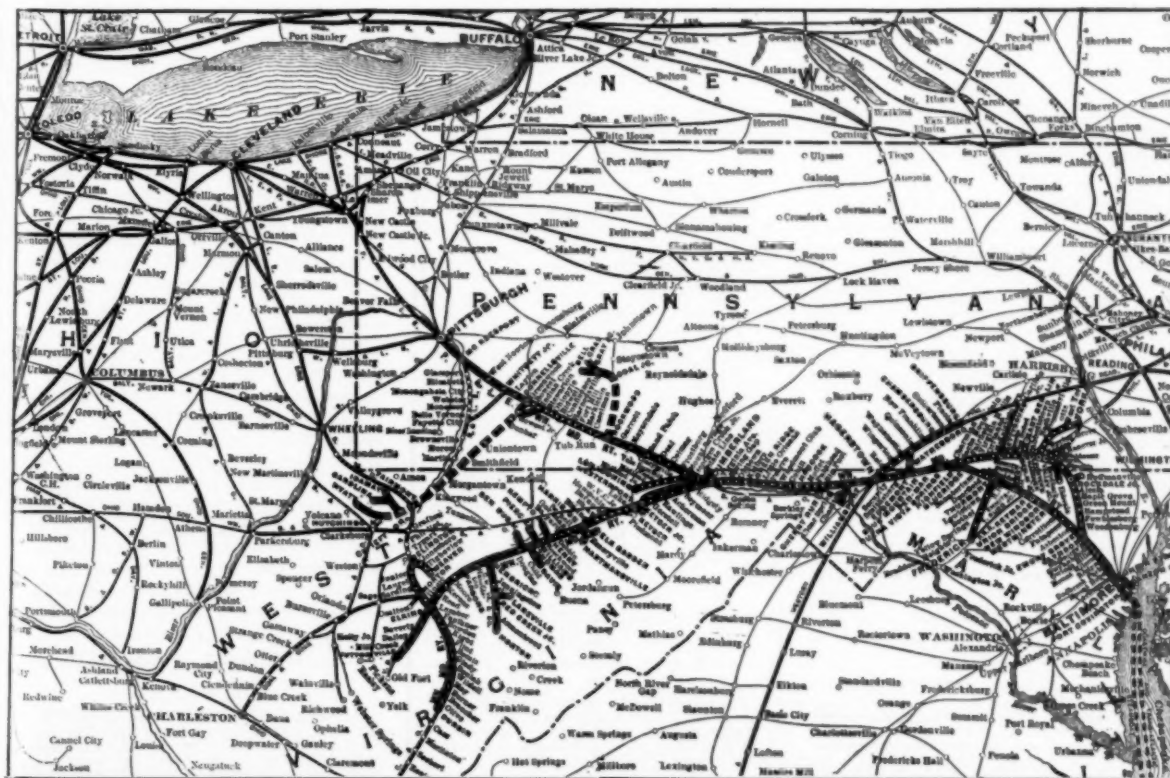
road there is little doubt but that the entire security behind the bonds would be sufficient to take care of them at a market price considerably in excess of what they are now selling.

Under the terms of the mortgage of the first and refunding 5s, which are subsequent as lien to the first 4s, this mortgage is closed and all future financing will be done through the refunding 5% bonds.

Earnings of the road since reorganization cannot be taken as a basis of real earning power. In the first place as heretofore shown, maintenance charges were abnormally heavy and conditions during Government control were extremely adverse to profitable operation. Like B. & O., a good part of Western Maryland's lucrative traffic was diverted. The haul of coal traffic was stimulated and much empty car mileage resulted from efforts to facilitate coal movement. Last year, the first that the road was free of Government control, despite the general industrial depression, fixed charges were fully earned for the first time since 1917.

Earnings for the first seven months of this year reflect for the first time the likely earning power of the road under normal conditions. Despite the coal strike since April 1st, and on a smaller volume of traffic that was hauled during 1920, Western Maryland is earning at the annual rate of about 30 cents a share on the common, or over 1½ times interest requirements.

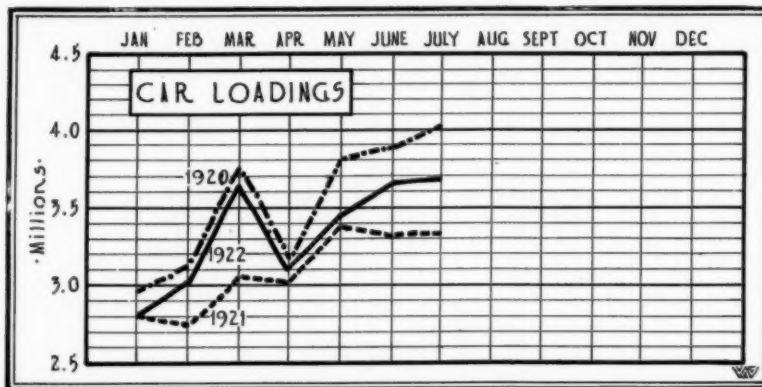
Net operating income for the first seven
(Continued on page 785)



Western Maryland Railway and Connections

July Earnings Good Despite Strike

Railroads Demonstrate Their Ability to Handle Traffic on Profitable Basis Under New Freight Rates



ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST SEVEN MONTHS OF 1922

The following table is compiled on the actual average percentage of the first seven months' net operating income to the total traffic year for the past ten years for each individual railroad.

Road	Net Operating Deficit	% Charges Earned	\$ Per Share on Preferred	\$ Per Share on Common
Atchafalaya				\$7.45
Atlantic Coast Line				20.70
Baltimore & Ohio				8.10
Buffalo, Rochester & Pittsburgh		28%		7.40
Canadian Pacific				5.50
Carolina, Clinch & Ohio				21.00
Central R. R. of N. J.		73		
Chesapeake & Ohio				
Chicago & Alton		55		
Chicago & E. Illinois			\$3.25	
Chicago & Gt. Western	\$11,533			
Chicago, Mil. & St. Paul		44		7.10
Chicago North Western			14.80	
Chicago, Rock Island Pac.			3.50	
Chicago, St. Paul, Minn. & O.				29.35
Cleve., Cinn., Chic. & St. Louis				2.60
Colorado & Southern				5.00
Delaware & Hudson		91		
Delaware, Lackawanna & Western			\$2.85	
Erie			\$4.10	
Great Northern				1.10
Gulf, Mobile & Northern				14.30
Illinois Central				3.40
Kansas City Southern				
Lehigh Valley		63		21.65
Louisville & Nashville				
Minneapolis & St. Louis		45		
Minn. St. Paul & Sault Ste. Marie		90		5.00
Missouri, Kansas & Texas				
Missouri Pacific		90		11.35
*New Orleans, Texas, Mexico				13.05
New York Central				21.00
N. Y. Chicago & St. Louis				
N. Y. New Haven & Hartford		67		
N. Y. Ontario & Western		100		20.35
Norfolk & Western				2.05
Northern Pacific				7.30
Pennsylvania				7.55
Pere Marquette				3.05
Pittsburgh & W. Va.			\$4.00	
Reading				5.15
St. Louis, San Francisco				5.00
*St. Louis-Southwestern				7.15
Seaboard Air Line		73		2.25
Southern Pacific				1.80
Southern Railway				17.50
Texas & Pacific				9.00
Toledo, St. Louis & Western				12.75
Union Pacific				1.60
Virginian				
*Wabash			\$4.00	
Western Maryland				7.00
Wheeling & Lake Erie				
Western Pacific		95		

*\$50 par value. * After 5% on the common stock, all classes of stock share equally. * Without oil income and after capital adjustments. * On the 7% prior preferred. * Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. * On the 4% 1st preferred stock. * Only class of stock outstanding. * Exclusive of interest on adjustment income bonds. * Includes Denver & Rio Grande Western. * On the 4% 2nd preferred. * On the 6% preferred. * On the 4% 2nd preferred. * On basis of first six months' earnings.

TAking a composite picture of railroad earnings for the month of July, in the light of the coal and rail strike and reduced freight rates, the different elements merge into two outstanding factors, namely, that business conditions throughout the country are decidedly on the up-grade and that with continued economy of operation the carriers are in a better position to obtain larger profits than ever before, despite the lower freight rates which went into effect on July 1st, last. Had it not been for the temporary obstacles which had to be contended with, earnings would have surpassed anything reported thus far this year. We cannot emphasize too strongly the fact that favorable reports were issued by roads in all sections of the country, despite the fact that coal traffic, which plays an important part in the traffic of a large majority of roads, was about 50% of normal throughout the month of July.

With both the bituminous and anthracite coal strikes settled there is certain to be very heavy production for the balance of the year to make up for the idleness of the past five months. Coal shipments will be abnormally heavy from now on, with a corresponding speeding up of production in all lines of industry. Add to this the outlook for a bumper crop of wheat and corn and it does not require a very vivid imagination to see a record-breaking business for the railroads. The one disturbing factor in this exceedingly bright outlook is the question of whether the roads will be able to handle this traffic adequately. It will not be long before all the idle freight cars in good condition will be called into use, but on August 15th, latest date available, there were over 335,500 freight cars in need of repairs, or about 14.8% of the number of cars in use at that time. There will be need of much repair work and much new equipment in the next thirty days to handle the peak traffic movement.

Conditions in the Northwest continue to show marked improvement. Loadings of iron ore, grain and lumber products have been very heavy for the couple of months and give indications of an enormous volume of traffic for the last quarter of the year. The four leading northwestern roads, namely, Great Northern, Northern Pacific, Chicago Northwestern and St. Paul, have finally turned large operating deficits into substantial net operating income. Barring any unforeseen unfavorable developments Northwestern will earn substantially over 7%

(Continued on page 798)

In the September 2nd issue of THE MAGAZINE OF WALL STREET there appeared several typographical errors in the R. R. Earnings table. The earnings of Chicago Northwestern were moved up to the St. Paul line by mistake, misplacing the figures for the following three roads.

Industrials

How Auto Body Makers Compare

Prospects for the Industry—Will Automobile Companies Make Their Own Bodies?

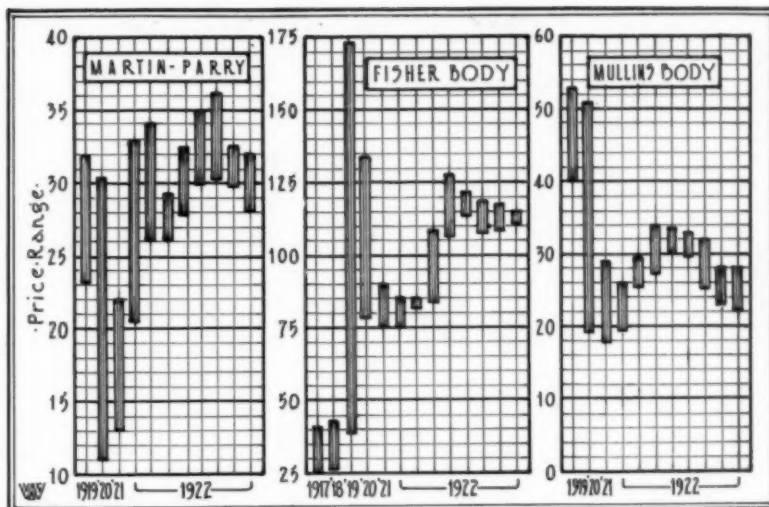
By HENRY FRANKLIN

IN some ways the automobile industry in this country is still in a state of flux. Without meaning to deprecate the great importance of the motor manufacturers' position in the general industrial field, it might be suggested that there is, in some respects, a lack of cohesive manufacturing methods. While the industry, as a whole, has shown an excellent recovery from the depression of 1921, a recovery which has been reflected among the automobile companies, including those concerns which specialize in manufacturing bodies, still greater command of overhead expenses might be achieved by a closer unity of manufacturing facilities. It may be that the next big development in the automobile industry will mean consolidations and mergers. For instance, the larger companies, instead of buying bodies from outside makers, will own their own body-making plants, or have complete control of such plants.

Improvement in Industry

While the leading body manufacturers have found improvement this year after the parched period of 1921, there is still a question as to whether their business is entirely stabilized and whether they will go along year by year earning comfortably, and safeguarding stockholders against the abnormal thrills that accompany unusual earnings fluctuations.

There are three corporations manufacturing bodies whose shares are well known on the New York Stock Exchange list. They are Fisher Body Corporation, which is controlled by General Motors, Mullins Body Corporation and Martin-Parry Corporation. The two last named companies have been in business for years but are of relatively recent origin in their present corporate forms.



FISHER BODY CORPORATION

Controlled by General Motors

FISHER Body Corporation, incorporated under the laws of New York, is six years old, having been formed in 1916 as a combination of three companies of similar name. In the six years that the combined company has been in existence it has developed a comfortable earning power, but at the same time five of these six years witnessed one of the greatest developments that ever struck a manufacturing industry in this country. The automobile industry went ahead at a breathless pace and companies situated as was Fisher Body, with tested experience in its particular line, found excellent profits.

In the five fiscal years from 1917 to

1922 (April 30) inclusive, total earnings on the stock were \$57.66 a share, of which \$25 was distributed in cash dividends. Dividends, however, were not established until the early part of 1920. The present rate is \$10, which is certainly liberal enough and about all that an industrial corporation can well be expected to pay year in and year out. In fact, a dividend record of such size, evenly distributed over a long period of years, would be very impressive.

Fisher Body has paid such a rate since 1920—three years, but it would be assuming too much to state unqualifiedly that such dividends could be expected indefinitely. At the same time there is no thought of suggesting that the current rate is in danger or that current earnings are insufficient to pay \$10 a share. In the fiscal year ended April 30, 1922, earnings were almost \$12 a share, and that included a slow period, although the first four months of 1922 witnessed a substantial comeback.

General Motors' Interest

Fisher Body now has outstanding 500,000 shares of stock, having no par value, of which General Motors acquired 300,000 shares at a cost of \$92 a share in

MOTOR BODY MAKERS

	Capitalization	Common Stock Price Range Since Listing		Earnings on Common Per Share & Divs.			
		High	Low	1918	1919	1920	1921
Fisher Body.....	\$8,250,000 bonds \$3,470,000 pfd. 500,000 shs. com.	173	25	\$12.04	\$6.49	\$8.14	\$8.99
				.....	\$5.00	\$10.00	\$10.00
Mullins Body.....	\$970,000 pfd. 100,000 shs. com.	58	17 3/4	.....	\$2.63	\$5.90	Def.
				.....	\$0.75	\$4.00	\$1.00
Martin-Parry.....	100,000 shs.	38 1/4	11	.....	\$2.44	\$3.11	\$0.003
				.....	.....	\$2.00	\$2.00

* Fiscal year, April 30.

HOW THE AUTOMOBILE BODY MAKERS ARE RATED

	Character	Future Possibilities	Management	Record	Financial Strength	Earning Power	Net Rating
Fisher Body.....	4	4	5	4	4	4	25
Mullins Body.....	4	3	5	3	3	3	20
Martin-Parry.....	4	5	5	4	4	4	26

Highest Possible Rating, 30.

November, 1919. This block of 300,000 shares represented additional stock and was issued and sold to provide funds for bigger plants and more working capital. In connection with this acquisition, an interesting contract was made between Fisher Body and General Motors. By this contract General Motors agreed to buy from Fisher Body all the automobile bodies that the latter could furnish, except those that General Motors might build at its own plant or plants of affiliated organizations.

The price at which the bodies were to be built was fixed at cost plus 17.6%, and the life of the contract was set at ten years. Obviously this contract gives Fisher Body an excellent business nucleus. It may be that the question may arise with General Motors as to the advisability of creating facilities to build all of its bodies itself. At the same time there would be a co-relative question in the investment of \$27,600,000 which General Motors has in Fisher Body. This investment now has a market value of over \$30,000,000, and furthermore, dividends on Fisher Body stocks at the current rate mean an income of \$3,000,000 a year to the controlling corporation.

MARTIN-PARRY CORPORATION

Successful Company

MARTIN-PARRY, the third member of the trio under discussion, devotes its plants solely to the manufacture of automobile commercial bodies of the lighter types, designed particularly for delivery and express vehicles. The company does not deal in pleasure car bodies, but makes a specialty of light bodies, sold at low cost and therefore within reach of those small retail dealers who must have a delivery system to meet competition. For example, Martin-Parry sells bodies as low as \$100. Originally, the company designed its bodies for the Ford chassis and the type of body produced met with such appeal that manufacturers of the Chevrolet and Overland cars have adopted the Martin-Parry type.

Martin-Parry, in 1921, despite the business depression, sold as many bodies as it did in 1920. As the truck business decreased 50% in 1921, as compared with 1920, the business of Martin-Parry showed that the company doubled its proportion. According to President Small, this year the company should double the number of bodies sold in 1921. Martin-Parry's manufacturing method is one of standardization and mass production; keeping costs low, aiming for quantity business, large volume and a small profit.

Stock Movements and Conclusions

Early this year, when it was seen that the motor industry was recovering, Fisher Body common went from 75 to 127½. Latterly the stock has been most inactive and has declined some 12 or 15 points from the high of the year. There has been no suggestion that earnings are not satisfactory. On the other hand, it is generally believed that they are good, and certainly there has been nothing to indicate that net profits were at a rate which would endanger the current dividend. Nevertheless, the market action of the stock may indicate that there is not complete confidence in the earning power, or at least it may be indicated that shares are still in a speculative position. The floating supply is not large and dividend possibilities are pretty well known. That is to say, no one who thinks conservatively feels that the ten-dollar rate can be enlarged in a sustained way and furthermore, this ten-dollar rate has not been paid over a long enough period to render the dividends matter to be taken absolutely for granted. For that reason the stock should still be considered in a speculative position.

The present Martin-Parry has outstanding 100,000 shares of no par value stock. On this capitalization, dividends at the rate of \$2.00 per share were inaugurated in March, 1920, eight months after the incorporation of the company. This rate has been consistently maintained and in two of the three years in which the company has been in business has been more than covered by earnings. In 1921 net income was only \$8.20, but the fact that Martin-Parry was able to show any income at all last year is a matter of decided encouragement.

This year, according to report, earnings are much better than they were last year and this has been true from the very beginning, because in January and February sales in dollars were 50% in excess of January and February, 1921. Thus, any doubt that might have been entertained at the beginning of this year as to the continuance of the \$2.00 rate has pretty well been removed by this time. Prices have been almost radically cut and it is understood that the present level is the lowest since the company started in business. Nevertheless, margin of profit is stated to be entirely satisfactory to the management.

Lumber is one of the most important of the raw materials used by Martin-Parry and the management is understood to have made a most favorable five-year contract for its supply. Such a contract, is of course, a great aid in keeping down production costs and making possible the price reductions without sacrifice of profits.

Conclusions

Martin-Parry shares are understood to be rather closely held and ordinarily do not command an active market. At present market levels of around 30 the dividend yield is about 6½%, not unusually high, but attractive enough when the apparent earning possibilities are thrown into the balance. In other words, it is entirely conceivable to imagine the earning power of Martin-Parry growing steadily to a point where larger dividend returns will be possible and in that possibility lies the speculative attractions which the stock possesses for anyone who will be moderately patient.

MULLINS BODY

Stock Not Very Attractive

THE business that the present Mullins Body Corporation represents was established in 1872 as a partnership and at the same time engaged in sheet metal work, statuary, etc. In 1905 the company began to make steel boats, canoes and a year later entered the field of pressed steel automobile bodies and fenders. Mullins is an example of an old line company expanding and developing from time to time into new lines and apparently endeavoring to keep pace with the changes taking place in the industry with which it has been generally affiliated. The present corporation was formed in 1919, succeeding a company

which had 3,000 shares of stock of \$100.00 par value. The capitalization of the present company is 100,000 shares of no par value preceded by \$970,000 8% cumulative preferred. There is no funded debt.

Earnings

As the present company has been in existence only about three years there is not a great amount of historical data upon which to base analysis. The fact that the original business was started in 1872 and was continued through all those years indicates success, but the success of that

(Continued on page 787)

Which Is the Best \$6 Stock?

Results of a Search for Profit-Making Opportunities

By FRED L. KURR

AMONG the stocks paying \$6 a share per annum in dividends a great many sound investments are to be found. In order to cover this list more fully only industrial stocks will be considered in the present article, and in the next issue of THE MAGAZINE OF WALL

STREET the railroad and public utility securities paying \$6 per share per annum will be taken up.

In the accompanying table six stocks are listed which appear to be in the soundest position and to have the best prospects of the industrial \$6 payers.

roll by before this can be a serious consideration. American Locomotive has shown an excellent earning power over a long period of years and as dividend payments have been very conservative a large surplus has been accumulated. As the company has not gone in for increased plant capacity this surplus has been kept in liquid form as is shown by the remarkably strong balance sheet. As of December 31, 1921, the company had twenty-four million in cash and high-grade securities on hand.

The outlook is very favorable as the railroads have starved themselves in regard to equipment in the past few years and with prosperity returning to the roads and traffic heavy they are bound to place large orders for locomotives. This company through efficient management and its large surplus funds is able to more than cover the \$6 dividend on the common stock with operations at only $\frac{1}{2}$ of capacity.

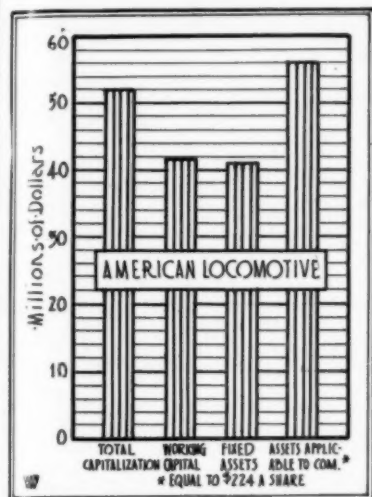
As shown by the accompanying graph net assets as of December 31, 1921, were \$83 million of which about half were liquid. The company values its plants at cost less depreciation and as depreciation charges have been liberal the book value can be regarded as conservative. After allowing for the bonded debt and preferred stock assets applicable to the common stock are equal to \$224 a share. For the past ten years earnings have averaged \$17 per share per annum on the common stock and an average of only \$3.65 per share per annum was paid out in dividends during this period. For the first six months of the current year business of the company was practically at a standstill and a deficit of nearly a million was reported, the earnings are rapidly recovering, however, and the outlook is that the last six months of the year will result in profits sufficient to wipe out this deficit and show the dividend on the common earned. It is anticipated that 1923 will be a banner year and as American Locomotive has a larger working capital than it actually needs to swing its business a much more liberal dividend policy to common stockholders is to be anticipated.

While American Locomotive stock at present price of 125 only yields 4.80%

it still appears very attractive from an investment or speculative view-point as there is no reason to doubt the company's ability to pay large dividends.

Other \$6 Dividend Payers

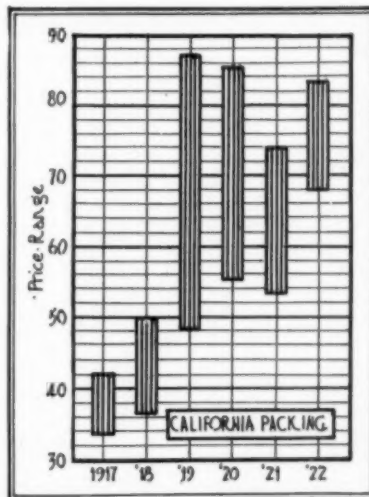
While American Locomotive is regarded by the writer as the most attractive from both the investment and speculative view-point the other stocks listed in the accompanying table are deserving of careful consideration. Associated Oil for the past three years has shown an earning power that would appear to justify higher dividend payments. Control is held by Pacific Oil Co. through ownership of 57.93% of the capital stock. As the company is in good financial condition it may be that Pacific Oil will dictate a more liberal dividend policy in the near future. Associated Oil has a settled production in California and holds large tracts of proven oil land that should enable it to increase its production for many years to



STREET the railroad and public utility securities paying \$6 per share per annum will be taken up. In the accompanying table six stocks are listed which appear to be in the soundest position and to have the best prospects of the industrial \$6 payers.

American Locomotive

Of this list American Locomotive stands out as the most attractive, not only from an investment standpoint but also from the standpoint of immediate speculative possibilities. Under THE MAGAZINE OF WALL STREET's system of rating this stock is given a rating of 28 points out of a possible 30. The manufacture of locomotives is an essential industry as the country's transportation system at the present time is almost entirely dependent on an adequate supply of locomotives. It is true that electrification of the railroads may ultimately make the locomotive unnecessary but many years must



come. From both an investment and speculative standpoint this stock is attractive.

Corn Products Refining has a remarkably fine record as a consistent earner since the war. Even in 1921 when it had to face unusually trying conditions it succeeded in showing \$9 a share for the com-

THE BEST \$6 DIVIDEND-PAYING STOCKS

	Bonds	Capitalization Preferred	Common	Working Capital	Earned Per Share			Price Range 1922		Present Price	Yield
					1919	1920	1921	High	Low		
Amer. Locomotive.....	\$1,932,000	\$25,000,000	\$25,000,000	\$41,725,992	\$30.98	\$21.44	\$13.24	123 3/4	102	125	4.8%
Associated Oil.....	6,973,000	None	39,775,750	6,577,142	15.19	23.15	20.52	135 1/2	99	117	5.1%
California Packing.....	None	None	*471,703 shs.	11,763,639	19.01	9.01	4.75	83 1/2	68	85	7.0%
Comp.-Tab.-Recording...	5,595,500	None	*131,033 shs.	4,217,298	18.90	12.93	6.79	79 1/2	55 1/4	74	8.1%
Corn Products.....	6,192,780	24,836,933	\$49,754,000	21,700,000	23.36	21.78	9.06	120 1/2	91 1/4	119	5.0%
National Lead.....	8,595,000	24,367,600	20,655,400	30,847,944	14.17	14.67	8.00	110 1/2	85	108	5.6%

* No par value.

HOW AMERICAN LOCOMOTIVE AND CALIFORNIA PACKING ARE RATED

AMERICAN LOCOMOTIVE			CALIFORNIA PACKING		
Element	Qualifications	Rating No.	Qualifications	Rating No.	
(1) Character	Essential industry	Excellent..... 5	Essential industry	Excellent..... 5	
(2) Past Record	Large surplus accumulated	Excellent..... 5	Did well under adverse conditions	Good..... 4	
(3) Future Possibilities	Favorable	Good..... 4	A growing business	Good..... 4	
(4) Management	Conservative	Excellent..... 5	Shows efficiency	Excellent..... 5	
(5) Financial Strength	Very great	Excellent..... 5	Bank loans small	Good..... 4	
(6) Earning Power	Fluctuates	Good..... 4	Steady	Good..... 4	

28

Maximum Number of Points, 30.

28

mon. For the first six months of the current year \$6.83 a share was earned on the common or at the rate of over \$13 per share per annum. The stock is entitled to a good investment rating but at present price of 119 it has discounted a good deal as it has advanced over fifty points from the low price of 1921.

National Lead is another company with a steady earning power, it was able to show its dividend earned through the period of depression with a good margin to spare and the outlook is very favorable. It also has had a very important advance in the market and at 110 would

appear to have done sufficiently well for the time being.

Computing-Tabulating-Recording was not much affected by the period of depression as it succeeded in earning \$8.60 a share in 1921 and in the four years preceding earned over \$14 a share each year. For the six months ended June 30, 1922, earnings were at the rate of twice present dividend requirements. On any little set-back from present levels the stock should be an attractive purchase.

California Packing

Next to American Locomotive the stock

with the best possibilities of showing early appreciation in value is California Packing. This company has shown that it possesses a highly efficient organization. As is well known companies dealing in food and canned goods were very hard hit when deflation set in as there had been over-production of food stuffs and it was difficult to move them at any price. California Packing had large inventories when prices began to slide but its distributing organization succeeded in disposing of the greater part without too drastic a reduction in prices. As a re-

(Continued on page 798)

Improving Your Investment Position

Four "Switches" Recommended by Members of the Staff of The Magazine of Wall Street

READERS of THE MAGAZINE OF WALL STREET are thoroughly familiar with the principles of the "switch" in security dealings and an elaborate description of the methods of "switching" is necessary here. However, it might be well to reiterate the main purpose of the "switch" which is to improve your investment position by selling the securities which are in a relatively weak position and buying for the proceeds securities which are in a stronger position. The advance in the stock market this year has now proceeded to a

point where certain securities offer better possibilities by way of price enhancement than others. In the face of such a situation, it would be inadvisable to hold on to stocks which are in a less favorable position in this respect than other stocks which have yet to see the major part of their advance.

Many instances of profitable opportunities in "switching" could be pointed out at this time, but, as lack of space forbids, an extensive analysis of all these opportunities, what seem to be a few of the best "switches" at the present time, are herewith given.

year when the earnings fall off to about one quarter the amount of the dividend; and when the current assets per share during the same period of time have declined from about one quarter the selling price of the stock to about 7% of the market quotation, it is about time to dispose of the issue on general principles, and switch into something with a firmer foundation.

Great Northern Iron Ore certificates, quoted around \$41 a share, may be exchanged to advantage for American Steel Foundries selling at about the same price, namely \$42 a share. The latter was reviewed in the July 8th issue of this Magazine, and was recommended as an attractive, speculative investment when it was selling six points below its present price. The issue pays \$3 annually and yields over 7%. The company is in strong financial position. Current assets amount to over

\$16,800,000, and are over four times current liabilities. Funded debt has been reduced each year during the past six years, until all but \$340,800 thereof has been retired, and this small balance will probably be disposed of this year. The company is in the railroad equipment business, and any student of this industry will appreciate that its representative companies are in a strong position, in the light of the present general industrial improvement, and more particularly in view of the physical requirements of the railroads.

The present technical position of the Iron Ore certificates indicates that they have been buoyed up on general bullish sentiments characteristic of the recent market, but there are indications that the issue is beginning to register uncertainty in the light of unfavorable fundamental conditions. On the other hand, American Steel Foundries appears to be in a well supported upward trend, owing to improving industrial conditions with regard to the equipment companies in general, and its own affairs in particular.—H. J. W.

**SELL Great Northern Ore @ 41.
BUY American Steel Foundries
@ 42.**

The practice of switching from a stock that is likely to decline owing to unfavorable fundamental developments, to another issue selling at about the same price, and likely to advance on the strength of underlying favorable developments, should appeal to anyone holding an issue like Great Northern Iron Ore property's beneficial interest certificates, which were reviewed in the August 19th issue of THE MAGAZINE OF WALL STREET. When a company distributes a dividend which represents about twice the amount of its earnings per annum, over a period of three years, and then continues the distribution during a

**SELL American Ship & Commerce
@ 17.
BUY Hupp Motor @ 20.**

These two stocks, at this writing, sell at nearly the same price, yet Hupp Motor is incomparably the better purchase so far as results likely to be obtained in the near future are concerned. It is true that

American Ship & Commerce is a splendidly managed concern, well supplied with capital and probably has a great future ahead of it. But this will take time, perhaps years, to work out. In the meantime, what we do know is that Hupp Motors is making an excellent showing in respect to earnings which are the prime consideration to investors in stocks.

Comparing American Ship with Hupp, we find that during the past three years the latter has regularly earned a respectable margin over its \$1 dividend requirements, whereas in only one year in that period has American Ship shown any earning power to speak of. This is by no means a reflection on the company, because as everybody knows, the shipping business has been in the doldrums for the past few years, and the companies engaged in this line that made money were very far and few between. Nevertheless it is a fact that American Ship earned very little on its stock, whereas Hupp earned more than sufficient to maintain its regular dividend.

While the past offers some good contrasts between the results obtained by these companies, the contrast is even more striking when applied to current conditions. While latest figures for American Ship are not available, it is hardly likely to make a particularly good showing this year and, in fact, in consideration of the depressed character of the shipping business, will do well to break out even. On the other hand, Hupp is earning at a rate probable twice in excess of the best ever recorded by this company. Estimates are that Hupp will earn no less than \$5-6 a share, which is enormous for a stock selling at about twenty.

Hupp has a very conservative management and despite the high earnings dividends are not likely to be increased very sharply. However, a dividend of \$2 a share would be easily justified and as a \$2 stock, Hupp would be very attractive at a price many points higher than current quotations.

Both issues, of course, belong in the speculative class. But Hupp is by far the better speculation at this time and the "switch" therefore from American Ship into Hupp would seem to be entirely warranted by the conditions described above.

—E. D. K.

**SELL Mallinson Common @ 39.
BUY Pond Creek Coal @ 22.**

In this "switch" we are exchanging the security of one strong company with good prospects into the security of another strong company with equally good prospects. In both respects, Pond Creek Coal and Mallinson are equal as they are both enjoying a good business and earnings should continue to show up well for an indefinite period. The main purpose in this exchange would be to take advantage of the 17-point spread between the price of these two stocks, and to receive a dividend-paying instead of a non-dividend paying issue. It is possible that

for SEPTEMBER 16, 1922

Mallinson common itself may be placed on a dividend-paying basis within a reasonable period, but in Pond Creek Coal stock we already have a dividend-payer so that we would be in the position of exchanging a possibility for an actuality.

On the whole, the record of Pond Creek Coal during the past few years has been better than that of Mallinson. Including estimates for 1922 earnings Pond Creek Coal will have earned an average of close to \$3.00 a share during the past four years, whereas Mallinson will have earned about \$2.50 a share annually dur-

Erie first preferred, selling at about 25 is supposed to pay 4%, and is non-cumulative. Last year the company earned \$3.60 per share, and this year earnings are running at the rate of \$2.85. The coal subsidiary, however, which normally contributes over 7 millions, a large part of the interest charges of 10 millions annually, has been running behind so far this year and should undoubtedly do much better in the next few months.

It would therefore be not at all surprising for Erie 1st preferred to show dividends fully earned for this year, after

FOUR STOCK "SWITCHES"

	1921 Low	Present Price	Ad- vance	Divi- dend	Yield	1922 Estimated Earnings
Sell American Ship & Commerce...	5 1/2	17	200%			
Buy Hupp Motor.....	10 1/4	18	63%	\$1.00	5.50%	\$3.00
Sell Mallinson Silk common.....	15 1/2	39	150%			\$4.50
Buy Pond Creek Coal.....	14	22	55%	\$1.50	6.80%	\$4.00-5.00
Sell Great Northern Ore.....	31	42	35%	\$4.00	9.75%	\$2.00
Buy American Steel Foundries.....	30 1/4	41	33%	\$3.00	7.14%	\$3.50-4.00
Sell N. Y., N. H. & H.....	11 1/2	33	200%			
Buy Erie 1st pfid.....	11 1/2	25	127%			\$2.85

ing the same period. Both companies are doing exceptionally well at the present time and their prospects for future business are satisfactory. Making a further comparison we learn that Mallinson common stock has had an advance from the lowest price this year of 15 to 39 the current level. This represents an advance of 160%. Pond Creek Coal on the other hand has only advanced from 14 to 24, now selling at 22, with an advance of 85% as based on the present price. By selling Mallinson and buying Pond Creek, the investor would save \$17 per share on the transaction and receive a dividend of \$1.50 a share besides, with possibilities by way of higher dividends as the company is earning at a rate to warrant the establishment of a \$2 rate and possibly higher.

—A. T.

**SELL New York, New Haven &
Hartford @ 33.
BUY Erie 1st pref. @ 25.**

New York, New Haven and Hartford is selling at about 33. There are roughly \$150,000,000 of stock outstanding and some \$300,000,000 of bonds.

The facts of the case are that based upon the earnings for the first 7 months of this year it seems that New Haven will earn about 3/5 of its interest charges, which scarcely looks like early dividends on the common. Last year there was an actual operating deficit of over 6 millions. Admitting the abnormal character of both years, the fact remains that not every railroad in the country lost 6 millions before interest charges last year or failed to earn charges this year. The stock has already had a large advance and in view of the fact that the company still has a long way to go before returning to even a fair earning power, it would be advisable to sell out and invest in a security with better immediate prospects.

having been nearly earned last year. In these circumstances it would also not be surprising to find much talk of the restoration of dividends on the preferred, which have not been paid since 1907.

At a dividend rate of 4% the stock should be entitled to sell on a 7% basis at around 57, or a thirty-point move over a period of time, until the stock market begins to discount the improving position of the road. As there are less than 48 millions of the first preferred outstanding, dividend requirements are 1.9 millions, compared to a gross revenue between 100 and 120 millions annually.

Net current assets at the end of last year amounted to nearly 9 millions, the cash item running up to 10 1/2 millions. Should the improvement in the earning capacity of the road continue, as there is reason to expect it will with the general rehabilitation of the railroads, it is fair to assume that the road will find itself able to pay dividends on the preferred at the full rate out of cash in hand.

Another possibility, though somewhat further removed, is that the road may be merged with other and stronger roads according to some of the plans for general railroad mergers so actively discussed at the time of the passage of the Esch-Cummins act. In this case the preferred stock would be valued according to its book or asset value for purposes of the merger, and on valuation would probably turn out to be 100% covered by actual property. In such case the preferred should theoretically sell at par, and while it may not go this high, the stock market process of discounting would in all probability move it up considerably from present levels.

Even without considering this more or less distant possibility, however, the outlook for Erie first preferred, in view of current earnings and the recent recovery of the coal-carrying business, makes it one of the most attractive of the lower-priced railroad shares.—M. G.

Are Department Store Stocks Good Investments?

An Inquiry Into the Relative Merits of the Four Leading "Big Store" Corporations

By WILLIAM J. KEARY

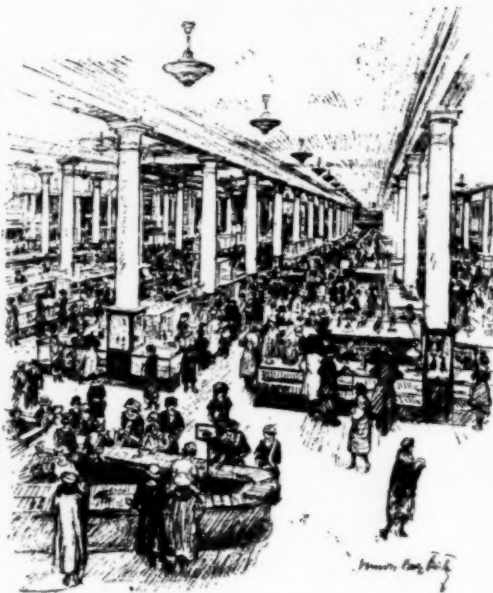
THE offering of the stocks of R. H. Macy & Co. and Gimbel Brothers to the public and the impending listing of the stocks on the New York Stock Exchange is an occurrence of wide interest not only to investors but to the public generally.

Listing the shares of a corporation like Macy's or Gimbel's on the Exchange may be considered an advantageous move from the standpoint of the company's business. It creates a greater interest in the company and gives it financial prestige which it did not enjoy before and a good deal of publicity for which it does not have to pay. It facilitates the raising of new capital needed for expansion or other purposes. If the securities are well distributed the patronage and sales of the store are increased, for naturally a stockholder will prefer to buy at a store in which he has a financial interest and a portion of whose profits are returned to him in dividends. On the whole, a department store, which is somewhat in the nature of a public institution, benefits by having a large portion of the public as its stockholders in much the same way as a gas, electric or telephone company benefits, namely through the creation of a certain amount of good will in its favor.

In allowing the public a share in the business, the Gimbels or the Strauses, who are in control of Macy's are neither relinquishing majority ownership nor control. Of the \$15,000,000 preferred stock of Gimbel Brothers, some \$12,000,000 was sold to the public, leaving a comparatively small amount to insiders. Only some 60,000 of the 500,000 shares of common stock, however, were offered to the public, so that at least 400,000 of the remainder are in the hands of the Gimbel family. In the case of R. H. Macy & Co. \$6,000,000 of the \$10,000,000 of preferred stock was offered to the public, but only some 60,000 shares of the 350,000 shares of common stock were available for public subscription. In both instances, therefore, the management owns the greater amount of the common stock, and since the preferred stock is non-voting, except in the event of default in four quarterly dividend payments, the outside dictation in the management will not be felt.

A Technical Business

Department store merchandising is a very technical business, calling for the



The Interior of the Macy Store

exercise of very sound judgment, foresight, and the sense of being able to keep in touch with the pulse of the buying public. Department stores, like chain stores, are at an advantage in having a large sales volume, and a rapid turnover. Large sales volume calls for large scale buying, and in purchasing in large quantities they have the advantage of lower prices. In other words they have the advantages of "quantity" business, namely more economical purchasing and a fair profit turned over a few times a year. In the variety of their products, however, they have an advantage which chain stores lack. A chain system carries either groceries, or novelties, or hats, or some particular line and when a seasonal decline overtakes that particular branch, business is inclined to be dull. The department store, on the other hand, carrying every kind of merchandise, from needles to player pianos, is not so much affected by seasonal decline because the dull season in one line is the brisk season in another. It must not be assumed, though, that department stores are wholly immune from seasonal influences, for the summer months witness some falling off in buying power, whereas the holiday season is the most crowded period of the year.

Like the chain store, the department store was in a good position to meet the deflation storm that broke a few years

ago. Quick turnover left them in a position to cope with the rapid recession in price movements and to dispose of stock without suffering a drastic loss. Through advertising bargain sales the stores very readily disposed of one grade of stock and thus prepared their shelves for the lower-priced goods. By quick turnover the stores were never very far behind the price fluctuations. A remarkable feature is that despite the fall in prices and general depression, cash value of the sales of Macy & Co. were higher in 1920 than 1919 and greater in 1921 than 1920, and similarly with Gimbel Brothers. This goes to show that as in the case of the chain store the buying public patronizes the department store extensively in hard times when the best values are sought for.

Herewith follows an analysis of the securities of the principal department stores:

MAY DEPARTMENT STORES

May Department Stores has behind it a long record of successful merchandising and very favorable earnings. Its history during the past three years has been much the same as Macy's and Gimbel's, except that its sales volume in the last fiscal year declined from \$68,254,715 to \$58,981,639, whereas in the other two cases there was an increase. Profits showed a slight decline but nevertheless were substantial.

The company has outstanding \$5,569,000 of 7% preferred stock and \$20,000,000 of common of \$100 par value. The preferred stock is selling at around 112, compared with 107 for R. H. Macy & Co., 7% preferred and 102 for Gimbel Brothers 7% preferred, the higher price being accounted for by a much stronger asset position, a higher earning ratio and "seasoning." There are \$300 of net current assets for every share of May Department Store's preferred and last year the preferred dividend was earned more than nine times.

In the last fiscal year the company earned 17.24% on the common stock, in the year before that 20.41%, and in the two years preceding that 32.34% and 14.45% respectively. It is paying 8% dividends at present, and was paying only 7 3/4% in 1920, 6% in 1919 and 5% in 1918, so that it has been enabled to build up a substantial surplus, the unappropriated portion of which amounts to over 42% on the common stock. Either a substantial

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stock dividend or a good increase in the cash rate is justified by the earnings and the financial condition. Selling around 130 at time of writing the stock is obviously high for an 8% stock, and at that price is therefore discounting to some extent either an increase in the rate or a stock-dividend. Just what will be done for the stockholders in this respect is the factor that gives a speculative uncertainty to the stock. In view of the earnings and financial condition, however, the company could afford to be generous to its stockholders though at this level the stock already seems to have discounted favorable developments to be a satisfactory purchase.

ASSOCIATED DRY GOODS

Associated Dry Goods owns outright seven stores scattered throughout the country and has an 85% interest in Lord & Taylor, New York. The stores owned outright are James McCreery & Co., New York, one of the largest stores in the city; J. N. Adam & Co. of Buffalo, William Hengerer & Co. of Buffalo, Hahne & Co. of Newark, Powers Mercantile Co. of Minneapolis, Stewart Dry Goods Co. of Louisville, Kentucky, and Stewart & Co., of Baltimore. With a string of stores it practically combines the chain and department store idea in one.

Numbering two of New York's large department stores among its group, its achievements during the past few years, as might have been expected, were along parallel lines to those of Macy's and Gimbel's. Gross sales for 1920 were higher than for 1919, but there was a decline in 1921 from the 1920 standard. Profits declined from \$13.33 on the common stock in 1919 to \$4.13 per share in 1920 and rallied again to \$10.26 per share in 1921.

Recently Lord & Taylor paid 12% for dividends in arrears on its first preferred stock to Dec. 1, 1918, and as Associated Dry Goods holds 20,619 shares of this stock out of a total of 25,000 the company received nearly \$250,000 from this source. It is the intention of Lord & Taylor to pay regular quarterly dividends in future which means approximately \$125,000 annually for the company. Based on results for the first four months of the current year, Lord & Taylor should earn about \$700,000, which would enable

it to pay dividends on its second 8% preferred stock and leave about 13% on the \$3,000,000 common stock. Inauguration of dividends on the second preferred would mean \$123,000 additional income for Associated Dry Goods.

Associated Dry Goods has outstanding \$13,818,700 of first preferred 6% cumulative, \$6,725,500 of second preferred 7% cumulative, and \$14,985,000 of common stock (par \$100). The first preferred is selling around 81½, at which price it yields 7.3% and gives a higher return than the other preferred stocks. Dividends on the first preferred were earned over three times in 1921, and after deducting the first preferred dividends the remaining earnings were over four times the dividend requirements on the second preferred. Since the company does not furnish a consolidated balance sheet it is difficult to judge the margin of current and tangible assets protecting the preferred stocks. The first preferred stock is a good "business man's investment" and the second preferred at 85 is an investment with a speculative tinge which ought to be responsive to a better earning capacity.

According to estimates the company will earn \$8 per share or better this year. This result would secure the continuance of the present \$4 rate, and clear the way for an increase in the rate if there is prospect of sustaining or improving the present earning power. At 58 the stock returns around 7% and like the other stocks offers good long pull prospects.

R. H. MACY & CO.

As an investment, the 7% cumulative preferred stock of R. H. Macy & Co. is attractive, and that the public appreciates this is shown by the quick advance from the offering price of \$103.50 to a level a few points higher. The business has been established for many years and the reputation of the company is excellent. Indicating the growth of the company is the expansion in sales which in 1901 were around 10 million and in 1921 were approximately 46 million. Now the company is making further extensions to its capacity to cope with its growing business. A new nineteen-story building is being erected adjoining the present store and on completion will increase the present floor space by between 1,000,000 and

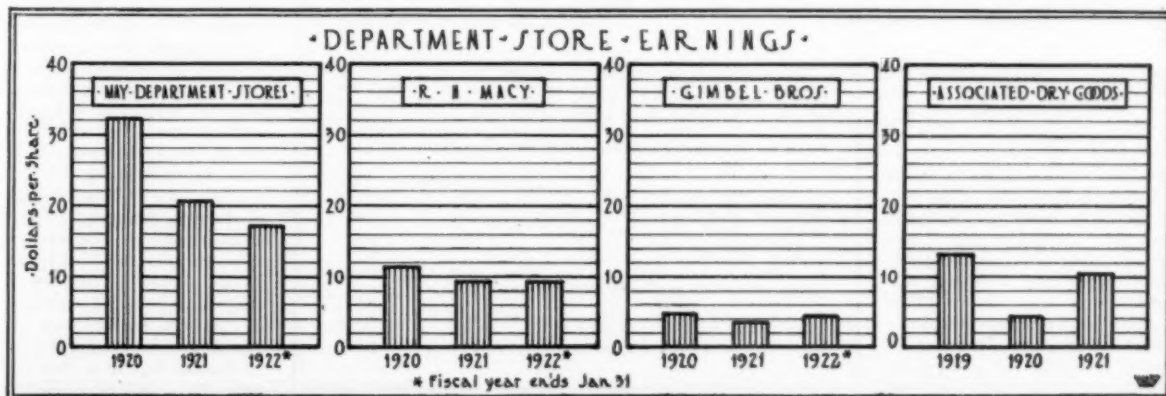
1,500,000 square feet, which is about half the present space.

Despite the industrial depression and decline in prices, sales increased from \$35,828,515 for the fiscal year ending January 31, 1920, to \$44,527,221 for the fiscal year ending January 29, 1921, and to \$46,671,762 for the fiscal year ending January 28, 1922. Profits for the three years, after deducting taxes at the 1922 rates, were 3.1 million, 2.4 million and 2.2 million for the three years respectively. While sales increased profits did not keep pace proportionately, which is explained by the violent decline in prices, the necessity for mark-down sales and the inability to reduce costs as quickly as prices. The results, however, are very favorable and show that in the estimation of the public the department store offers bargain values. Macy's say they can undersell competitors on account of their efficient and economical organization. A training school is maintained to coach employees to fill responsible positions within the organization and the good-will of the employees is maintained through liberal treatment. War-time salaries have not been reduced, and this, perhaps, may explain to some extent why profits failed to keep pace with increasing sales during the past few years.

In the six months ended July 29, 1922, sales were \$22,223,227, compared with sales of \$21,470,468 for the corresponding period of last year. Profits, before taxes, were estimated at approximately \$1,449,000, compared with \$1,283,270 in the same period in 1921. On this basis profits for the year are likely to reach the 3 million mark, which after taxes would leave about 3.6 million for dividends. This amount would be over five times the requirements on the preferred stock and would leave nearly \$9.40 per share on the common stock.

The financial position is excellent. Current assets are \$14,961,381, compared with current liabilities of \$2,433,358, and net current assets are at the rate of 125% of the preferred stock. Selling around 107, this stock gives a return of 6.54%, which is satisfactory in view of the security. With an indicated earning power of \$9.40 per share on the common, the company could conservatively pay \$4 or more of this annually in dividends and although no announcement has been made

(Continued on page 789)



Inquiries on Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

CANADIAN GENERAL ELECTRIC, LTD.

A Good Holding

I hold some Canadian General Electric Stock for which I always had a great deal of respect, but they recently reduced their dividend from an 8% basis to a 6% return and I have been thinking it might be well to consider selling my stock. It may be they may cut the dividend further later. Would you recommend that I sell it?—Mrs. W. A. A., Toronto, Canada.

Canadian General Electric Company, Ltd., under agreement with the General Electric Company, has the exclusive right to manufacture and sell its apparatus in Canada. A similar arrangement has been made with the Allis-Chalmers Company. It is true that, due to the depression in 1921, the company's earnings were not as good as during the previous years, and recovery in business is still somewhat slow in the Dominion, which has caused directors to reduce the dividend rate, but an examination of its record would not justify any cause for alarm. The company has outstanding only \$5,000,000 6% debentures and \$2,000,000 7% cumulative preferred ahead of the \$10,800,000 common, and earnings during the past six years have averaged 12% on the stock. Canadian General Electric should not have any difficulty in maintaining its present dividend rate and, with an improved business situation, it is our opinion stockholders may expect resumption of the old rate. We think well of the stock.

NATIONAL ACME Stock Unattractive

I have been thinking of buying some National Acme stock. I see it is selling around 17, which is about half what it sold for last year, and it strikes me it ought to be a good thing at the present price. I heard they received some radio orders which should add to their profits. What do you think of the stock and do you recommend it?—C. W. H., Toledo, O.

We are not favorably impressed with National Acme stock. The company has not been able to show good earnings under normal conditions on its rather liberal capitalization. Its inventory account at the end of 1921 still stood at \$7,500,000, and while it received some orders for radio machinery, it remains to be seen if it will be able to book this character of business in sufficient volume to replace earnings it would derive from its regular line. Under the circumstances, it seems to us there are more attractive opportunities in other directions. Hupp Motors, selling around the same price and paying \$1 a year, though earning about four times dividend requirements, is more desirable. A good non-dividend-paying stock, but one

SPECIAL REPORT DEPARTMENT

We have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for \$25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

which we consider has much better speculative possibilities than National Acme is American Water Works & Electric common, which is selling around the same price.

CROWN OIL

Undesirable Gamble

I bought some Crown Oil stock when it was first issued and have never been able to sell it out. I am not able to get any quotation on it now. Do you think it will ever come back?—J. G. S., New York.

Had you taken the trouble of investigating before buying the Crown Oil stock, you would have saved yourself the loss you now have. Crown Oil stock could never have been dignified with the term "speculation." It was nothing but a gamble at any time and one in which the

stockholders did not even sit in after paying their money. The officers of the company were indicted, but, so far as we can ascertain, have not yet come to trial. The only thing you can do is to charge this up to experience, and if it is the cause of your hereafter investigating through reliable channels before again entrusting your money in stock speculations, it will have been worth something to you after all.

FRENCH REPUBLIC 7½s Bonds Are Speculative

I hold some French Republic 7½% bonds, which I have been intending to keep as a permanent investment, but have been told that owing to the present difficulties in connection with reparations from Germany, these bonds are not safe. Will you please let me know what you think of them and if I am doing the right thing in holding them as a safe investment?—G. K. C., Washington, D. C.

We are not at all enthusiastic over the financial outlook for France. There are too many problems which must be met and solved to justify our considering the French bonds as anything but speculative under present conditions. While they may probably be satisfactorily adjusted, yet these contingencies prevent our considering the bonds safe investments. We would recommend holding American securities where such great political and economic uncertainties are not to be met with in your investments. A suggestion for transfer is the Sinclair Consolidated First Lien and Collateral 7's, selling at 99.

NEW YORK AIR BRAKE

Stock Appears Promising

I have been holding 100 shares of New York Air Brake stock, bought at much higher prices, and now I see they are going to sell preferred stock. Will not this have a bad effect on the common and should I sell it now?—T. W. A., Bucna Vista, Pa.

We recommend that you continue to hold your New York Air Brake stock. The proposed issue of preferred will place the company in position to take advantage of the favorable conditions confronting the equipment companies, and the preferred stock itself can be considered a good business man's holding, as there are only \$3,000,000 bonds ahead of it on the property. This new financing is not to be construed as an unfavorable development as it should strengthen the company's financial position. It is apparent the railroad companies are in greater need of equipment than in several years and, in this sellers' market, the

SOUND PREFERRED STOCKS

I have about \$15,000, I desire to invest and, while I ordinarily prefer good bonds, prices in the bond market have reached a high level and I am thinking of putting the money into high-grade preferred stocks. Will you kindly let me have a list of such stocks which you can recommend and which will return over 6%?

K. D. E., Chicago, Ill.

Under present market conditions and tendency of money rates, we are of the opinion sound preferred stocks will give better returns with practically negligible risk as compared with bond investments at higher prices and we take pleasure in giving you below a list of such stocks which we recommend for a business man's investment of \$15,000.:

	Present Market	Yield
American Can Co. 7% preferred.....	110	6.36%
American Steel Foundries 7% preferred.....	101	6.93
Chicago, Rock Island & Pacific 7% preferred.....	97	7.21
General American Tank Car 7% preferred.....	102	6.86
North American preferred (\$3 per annum).....	46	6.52
Postum Cereal Co. 8% preferred.....	107	7.47
Shell Union Oil 6% preferred.....	96	6.25
United Cigar Stores 7% preferred.....	110	6.36

New York Air Brake Company should be able to secure its share of the business.

SUPERIOR ICE CO., INC.

An Uncertain Speculation

I enclose some literature I received urging that I buy some Superior Ice Co. stock, which is being offered in units of two shares preferred and one common at \$28 a unit. What do you think of it.—J. G. W., Flushing, N. Y.

We regard the stock of the Superior Ice Co. as an uncertain speculation. It may turn out a profitable venture and it may not. Their offer is on basis of par for

the preferred stock and \$8 for the common, par \$10. It does not strike us that this is anything remarkably cheap for the stock of a company whose success is yet to be demonstrated and, in our opinion, there are too many opportunities in stocks of established companies, having a ready market in the event it is found necessary or desirable to dispose of them, to warrant commitment in these shares.

ST. PAUL PREFERRED Very Speculative

What do you think of C. M. & St. P. preferred stock, now that it has had such a rise

in the market? Do you consider it a good speculation at present prices?—O. J. J., Poughkeepsie, N. Y.

Chicago, Milwaukee & St. Paul preferred stock has had a very considerable advance, due to the promising outlook in the Northwest, and present prices have possibly discounted to a considerable extent existing conditions. The stock may now be subject to reactions before becoming stabilized at the higher level. However, it is our opinion that the shares will ultimately sell at higher prices, in view of the fact that the company will have a tremendous tonnage to transport from
(Continued on page 784)

Industrial

Oil

Mining

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned per Share in 1921		Dollars Earned Per Share in 1922			Present Dividend Rate	Recent Price	Yield on Recent Price (%)	Remarks—
	First Six Months	Twelve Months	First Quar.	Second Quar.	Six Months				
Atlas-Chalmers	3.23	4.07	def.	def.	def.	4	59	6.7	Working capital, \$24,000,000. Deficit after pfd., 1st quarter, 1922, \$10,027.
Ajax Rubber	def.	def.	def.	def.	0.17	12	...	...	Deficit, 1921, \$5,205,577.
Air Reduction	1.92	4.11	1.25	1.51	2.76	4	56	7.1	Working capital, \$3,240,000.
Amer. La France Fire E.	0.96	1.45	0.38	0.42	0.80	1	13	8.0	Working capital, \$2,406,755.
Amer. Druggists' Syndicate ..	def.	def.	def.	def.	0.15	6	...	...	1921 deficit, \$683,568.
Amer. Hide & Leather pfd.	def.	def.	def.	def.	def.	71	...	...	1921 deficit, \$350,337. Deficit 1st 6 months, 1922, \$35,425.
Amer. Locomotive com.	12.00	*13.34	...	...	def.	6	122	4.9	Six Months' deficit, \$1,841,780.
Am. Steel Foundries	0.06	0.13	0.54	1.35	1.89	3	42	7.2	Working capital, \$13,125,532.
Butterick Co.	3.90	*5.23	...	...	2.07	20	...	...	Working capital, \$3,000,000.
Central Leather	def.	def.	def.	def.	def.	41	...	...	1921 deficit, \$11,651,425. Deficit, 1st 6 months, 1922, \$629,340.
Coca Cola	2.80	*3.29	1.58	4.17	5.75	4	70	5.7	...
Colorado Fuel & Iron	0.67	def.	def.	def.	def.	32	...	...	1921 deficit, \$2,731,172; 1st 6 months, 1922, deficit, \$449,699.
Consolidated Textile	def.	def.	...	...	...	11	...	...	Six months' deficit, \$678,777; 12 months' deficit \$757,058.
Corn Products com.	3.58	9.21	3.47	3.36	6.83	6	118	5.1	Working capital, about \$35,000,000.
Endicott Johnson	4.29	10.79	...	...	5.55	5	67	5.7	Working capital, \$19,000,000.
Famous Players	13.02	19.01	6.36	6.54	12.90	8	103	7.7	Working capital, \$10,800,000.
General Motors	0.31	def.	...	...	1.33	14	...	...	Deficit for 1921, \$38,680,770, after deducting \$44,465,552 inventory loss and special reserves.
Gulf States Steel	def.	def.	0.40	1.70	2.10	63	...	...	12 months' deficit, \$731,915.
Hupp Motor .....	...	1.39	0.75	...	...	1	19	5.3	Working capital, \$2,515,873.
Mack Truck com. ....	...	def.	def.	2.63	3.53	58	...	...	12 months' deficit, after preferred dividends, \$1,000,680.
Lackawanna Steel	def.	def.	def.	def.	def.	80	...	...	12 months' deficit, \$3,384,877. Deficit 1st 6 months, 1922, \$652,852.
Lee Rubber & Tire	0.06	0.06	0.92	...	...	2	25	8.0	Working capital, \$3,170,521.
Owens Bottle	1.09	0.72	1.58	2.36	2.36	38	...	5.3	Working capital, \$8,491,508.
Pierce Arrow pfd.	def.	*def.	def.	def.	def.	31	...	...	12 months' deficit, \$8,968,712. Deficit 1st 6 months, 1922, \$36,992.
Republic Iron & Steel com.	def.	def.	def.	0.94	def.	72	...	...	1st 6 months, 1922, \$7,415,000. Deficit 1st 6 months, 1922, \$625,700.
Stewart-Warner .....	...	2.19	0.95	3.00	3.95	3	47	6.4	Working capital, \$6,000,000.
Stromberg Carburetor	0.68	1.06	0.40	2.56	2.96	4	56	7.1	Working capital, \$1,000,000.
Studebaker com.	10.06	16.10	6.49	11.52	18.01	10	132	7.6	Working capital, \$30,000,000.
United Drug .....	...	def.	0.37	0.81	1.18	80	...	...	12 mos. deficit \$3,636,380.
U. S. Steel com.	2.15	2.24	def.	0.96	0.88	5	104	4.8	Working capital over \$500,000,000.
Vanadium	def.	def.	...	...	0.04	51	...	...	12 months' deficit, \$427,546.
Oils—									
California Petroleum	7.79	11.45	2.64	3.77	6.41	64	...	...	Working capital, \$2,050,000.
Cosden & Co.	2.71	*0.17	...	...	...	2.50	50	5.0	Increase price of gasoline very favorable.
General Asphalt	def.	def.	def.	...	def.	68	...	...	12 months' deficit after preferred dividends, \$1,115,372.
Houston Oil	3.89	10.4	2.16	1.00	3.16	82	...	...	Working capital, \$4,250,000.
Mexican Petroleum	17.50	26.82	...	...	\$27.88	12	190	6.4	Net current assets, \$14,000,000.
Middle States Oil	2.06	4.15	0.77	...	...	1.20	14	8.6	Earnings before depreciation or depletion.
Pacific Oil	1.85	4.64	0.80	1.14	1.94	3	58	5.2	Earnings after depreciation.
Pan-American A.	6.07	12.94	...	...	...	6	80	7.5	Owens 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	def.	def.	...	...	...	7	...	...	12 months' deficit after preferred dividends, \$6,125,652.
Sinclair Consol.	0.60	def.	...	...	...	2	34	6.0	Net current assets, \$50,000,000. 12 months' deficit after depreciation, \$6,908,000.
White Oil	0.37	def.	...	...	...	8	...	...	12 months' deficit, \$2,543,636 after deducting \$2,746,447, depletion, depreciation, etc.
Mining—									
American Smelting com.	def.	def.	...	...	...	65	...	...	Six months' deficit, \$3,203,966; 12 months' deficit, \$2,576,135.
American Zinc pfd.	def.	def.	0.50	1.00	1.50	47	...	...	12 months' deficit, \$360,101.
Chino	def.	def.	...	def.	...	31	...	...	12 months' deficit, \$1,514,504.
International Nickel	def.	def.	def.	...	...	18	...	...	12 months' deficit, \$1,042,745.
Nevada Consolidated	def.	def.	...	def.	...	17	...	...	12 months' deficit, \$1,870,337.
Ray Consolidated	def.	def.	...	def.	...	16	...	...	12 months' deficit, \$1,598,318.
Utah Copper	def.	def.	...	0.43	...	2	70	2.9	12 months' deficit, \$2,058,109.

† Dividend rate given covers regular dividends on yearly basis. Extra or stock dividends are indicated in footnotes.
 * After depreciation, taxes and inventory adjustments, etc.
 ‡ After deducting \$1,004,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were \$1,171,875, equal to 4.5% on common.
 § Five months ended May 31.

Building Your Future Income

For the Man With His First Five Hundred Dollars

Our Old Timer Reads a Book

DROPPING in on our own Old Timer the other day, we found him immersed in "*The Stock Market*," Dr. Huebner's recent book on Wall Street.

"Thought you knew all there was to know about that subject," we gibed.

The Old Timer snorted disdainfully.

"Never hurt anybody to get a new point of view," he replied. "This fellow Huebner, now—I like the way he writes. He doesn't set out to be as impressive as possible. He sees how simple and understandable he can be."

We suggested that THE MAGAZINE OF WALL STREET sought to be "simple and understandable" too.

"I know it," agreed the Old Timer. "I read your Magazine, and I think it ought to do a lot of good. I s'pose some of the straight-laced, high-headed financiers down there don't approve of letting the public in on things the way you people do, but it's a good thing to do just the same."

We hastened to assure the Old Timer that financiers of that sort were things of the past. And by and large, they are. Everything considered, the trend in modern finance is more and more towards accepting the man-on-the-street-investor as a working partner in supplying credit for industries, great and small; more and more toward helping this investor steer a straight course over the financial sea and toward the harbor of independence.

"Quicker that trend, as you call it, becomes universal," concluded the Old Timer, "better for everyone concerned. Business depends on the investor for capital. Investor depends upon business for his job. It's a perfect circle, and always will be. Only one trouble, the way things are now."

"What's that?" we asked.

"Too many small investors—fellows with a few odd hundred stowed away—pretending to themselves that they're big investors, and going in for speculation," said the Old Timer. "That's bad—bad for them, and bad for business."

With, among other things, Mr. Jesse Livermore's remarks to this Magazine in mind—remarks showing that one of the wealthiest participants in the securities market, after trying both methods, had lined up on the side of investment as opposed to arrant speculation—we were inclined to consider the Old Timer right. Experience shows that, in the end, the biggest dividends come from conservative, although enterprising investing.

Smith Tries Again

Reaping Some Words of Wisdom From a Customers' Man, a Small Profit and An Impressive Lesson on the Value of Patience

By RALPH RUSHMORE

(This is a continuation of the story "How Smith Became an Investor" which began in the June 24th issue.)

SOMETIME after the incident described in the previous chapter, the gentleman we have re-christened "William H. Smith"—and, if he recognized himself, he is probably writhing under the commonplace appellation—dropped in at the Pine Street office of Burgess & Starrett, one of the oldest member houses in the New York Stock Exchange. It was not his first appearance there. Some weeks before a letter of introduction from Brown had cleared the way to opening an account with this firm, and occasional visits since had rendered Smith well acquainted with the "Customers' Man" and several of the other minor officials of the firm. He stepped toward Babcock now, who greeted him affably.

"I have twenty-five hundred on deposit here, Mr. Babcock," said Smith, "I want to buy some American Union Gas. How much can I carry?"

"We require twenty points on American Union," replied Babcock, "that is, a deposit of twenty dollars against every share you buy. So your twenty-five hundred would buy a hundred and twenty-five shares."

That amount looked good to Smith. He had been studying conditions in the utility field assiduously of late; American Union Gas, a prominent utility stock, seemed in an excellent position; it was certainly selling below its value; in fact, it ought to be selling at least ten points higher. On a purchase of a hundred and twenty-five shares, ten points would mean a profit of twelve hundred and fifty dollars. Not half bad, mused Smith, on an investment of only twenty-five hundred!

"There are two things I'd like to point out to you, though, Mr. Smith," said Babcock, gently interrupting the man's train of thought. "One is that, to take on the full limit of what you can carry would not be leaving you any backlog, or surplus to fall back on, in case things didn't go just right. You know, when we ask twenty points' margin on a stock like American Union we don't simply refer to the buying requirement. We mean that, at all times while the trade is alive, that is, before you sell your stock, you will have to keep the equivalent of 20 points per share on deposit. Now, if you buy Union today, and it goes down three points tomorrow, that means that three of your twenty points' margin will be charged off, automatically. Hence, we would have to require your making an additional deposit of three points, or three dollars more per share. If you did not have the additional funds necessary for this, we would

have to sell part of your holdings, and average up that way."

Smith could see the logic of this, although it was a new thought to him. And there was nothing in the least offensive about the way Babcock put it.

"It's the people who won't guard against contingencies of that sort," went on Babcock, "who become among our bitterest critics. They buy stock to the absolute limit of their funds. They don't keep anything back to bolster up their accounts with in case things don't turn out just as they expect. Then, along comes one of those sharp twists that send the market down four or five points. Only to protect ourselves, we have to send them 'margin calls,' insisting that their deposits be brought up to the required minimum. These fellows, either because their funds are exhausted, or just out of sheer obstinacy, cannot or will not put up the additional cash. Then we have to sell out at least part of their holdings—and they are knockers for ever after."

"This is the point," concluded Babcock, "if twenty-five hundred dollars is all you are willing to speculate with—of course," he broke off, "you know you are speculating, not investing, when you buy on margin?"

Smith nodded.

"Then I wouldn't tie it all up at once."

Smith liked the way the fellow talked; and he was impressed, directly and indirectly, by what he said. Directly, because it was perfectly sound and understandable logic; indirectly, because it showed that the Stock Exchange house of Burgess & Starrett, as contrasted with the fly-by-night firm of Swenson & Swenson, of bitter memory, considered their customers' welfare something worth protecting.

"I'll cut down on that," he said. "I can see your point, and I agree with you."

Babcock nodded.

"Just one point more," he said, "and please don't think me presumptuous. You see, your friend Brown and I have known each other for years, and I want to do what little I can to help a friend of his along. You won't take offense if I make another suggestion, will you?"

"Why, certainly not," answered Smith, emphatically. "In fact, after some of my investment experiences, I think the more advice I absorb the better off I'll be."

"If it's impartial advice, Mr. Smith,"

agreed Babcock, "and if the man who gives it to you hasn't something up his sleeve. . . . Well, I was going to say, this American Union, now . . . er, you don't own any other stock, do you?"

Smith's thoughts raced back to the worthless oil stock, hundreds of shares of it, which lay in his bureau drawer at home. The wound that oil stock had caused had not yet healed. But he decided not to mention it.

"No, no other," he replied. "Why?"

"Well, don't you think it would be a good plan to distribute your risk a little? Why put everything into one security? Spread your money around a little, and then your average of risk will be just so much lower."

Space does not permit repeating the rest of Smith's talk with the customers' man of Burgess & Starrett. The reader has heard enough to know that, in effect, it represented a shrewd, clean-hearted financial man's efforts to protect a newcomer in Wall Street against himself.

The upshot of the talk was a complete change in Smith's purchases. Instead of buying all he could possibly carry of one single stock, he bought 25 shares of American Union Gas, requiring a 20-point margin, 20 shares of a comparatively low-priced Motor stock, on 10 points margin, and 25 shares of a Steel on 20 points margin, requiring \$1,200 in all. Hence, he held \$1,300 in reserve, against contingencies.

Fortune favored Smith with the utility and the motor securities. The former, selling at 85 when he bought it, rose slowly and ponderously to 91½. Throttling an impulse to sell and take the 6-point profit (and it took about all of Smith's self-control) he hung on to it. The little Motor stock, bought at 16, moved up sharply one day to above 18. Thus, Smith had a profit of 6½ points and 2 points, respectively, on these two issues.

But the Steel stock, teetering back and forth between 91 and 92, showed him a small profit one day and a small loss the next. It never could seem to get out of its rut. Days when it moved up a fraction Smith was elated. Days when it sold off, it discouraged him.

After watching the Steel stock see-saw back and forth, Smith finally became disgusted. "I've held that long enough," he said, and gave Babcock a peremptory order to sell.

It was as though the stock had been waiting for just that one development—relinquishment of Smith's stock—before moving decisively. The new investor suffered the delusion all newcomers in Wall Street feel—that the market's movements were aimed directly at him. Within twenty-four hours it was up five points. By the end of a week it was up ten

Insurance—Home-Building—Enterprising Thrift—Conservative Investment of Small Sums

These are the chief subjects covered by the Building Your Future Income Department. All individual problems related to them interest us. Let the Department know what your problems are, and how we can help you solve them.

points. On Wednesday of the following week it crossed 105.

"I should have had 13 points profit in Steel," groaned Smith in Brown's office that afternoon. "I bought it at 92 and here it is 105. Got any laws in that book of yours to keep me from missing a chance like that again?"

Brown smiled. "Yes," he said, "I think I have. I wrote it after personally going through, for about the tenth time, just such an experience as you have had. Here—" he pulled the familiar scrap-book out of his desk and opened it wide—"it is."

Smith followed Brown's pointing finger and read:

FUNDAMENTAL LAWS OF INVESTING

Law Three: Natural talent and aptitude is essential to success in any field. In law, one must have, primarily, an analytical mind, an

accurate memory and a gift for cogent expression. In architecture, original creative ability and the ability to reconcile your tastes to the limitations of available materials.

In investing, one must have among other traits:

- (a) Keen Perception.
- (b) Courage.
- (c) Self-Control.
- (d) Independent Judgment.
- (e) Patience.

"Perhaps the two most important of these, at least in my experience," said Brown, "are self-control and patience. They've always been the hardest for me to acquire, and the lack of them has always been my most expensive limitation. Possibly with a striking experience of their importance so early in the game, you may get them sooner."

(What eventually happened to the other two stocks Smith held, and his fourth investment venture will be told in an early issue.)

Master Minds of Industry

By FLORENCE PROVOST CLARENDON

"Some are born great, some achieve greatness, and some have greatness thrust upon them."

THERE is a type of man who, irrespective of birth, environment, and early training, achieves greatness through sheer force of mental initiative. Such men are unembittered by the struggles of early life; they are undaunted by difficulties in obtaining a foothold on the ladder of success. They are Master Minds, and whether their creative ability seeks an outlet in industrial, financial, or artistic lines, they seldom fail to attain the goal on which they have set their purpose. With indomitable energy; with faith in their vision of the future; and with unerring instinct in divining the class of work for which they are essentially fitted, these men "hitch their wagon to a star," and achieve the heights of greatness.

Men of this type are of trivial importance to their business interests and, although it is said that no man is indispensable to the particular activities of which he is a part, it is nevertheless true that the untimely death of such master mind robs an organization of its keystone. There are many institutions which are directed and supervised principally by one individual, and in the case of the death of such a man, a consequent impairment to the credit of the concern is likely to develop. Loss amounting to many hundreds of thousands of dollars frequently results when the business craft loses its skilled pilot.

The Brains of the Business

A captain of finance whose steady fingers feel the pulse of the "market" with psychic surety; a man whose technical training in mining or engineering has made him an authority; the active head of a mammoth mercantile house or manufacturing plant whose energy and grit have swung the business to success—such men are the real brains of the interests they represent. In case of death their

active and productive manhood, the loss to the business must be offset in some way if the organization is not to be temporarily—perhaps permanently—impaired.

The American man of affairs is continuously keyed to a high pitch. He gives generously—nay, extravagantly—of mental and physical powers to each phase of his business life. The result is that it is difficult, often impossible, for him to relax for even a few hours of his crowded day. If he motors, if he golfs—in an endeavor to find relaxation from the day's work—his tense nerves are slow to yield to the desired serenity of mind. In his play, as well as in his work, he finds it hard to "let down."

The medical director of a large life insurance company said not long ago that "the American business man is breaking down 25 per cent faster than he did ten years ago." Thus a man who is responsible for the success of some big industrial plant, or one whose technical knowledge insures the satisfactory completion of an unusually difficult engineering project, may pride himself on his vigor, yet the very exigencies of his work may tend to undercut his strength, causing his untimely death when he is in the midst of one of the most important business tasks of his career.

Guarding Against Their Loss

It is the possibility of losing such master minds, with resulting danger to their business interests, which has created an ever increasing interest in life insurance as coverage for such loss. Large policies are more and more frequently being placed on the lives of these men who represent so great an asset to their organizations. Such insurance is carried and paid for by the corporation or firm, the proceeds being made payable to the business house thus protecting itself against loss. As one well known insurance writer says:

"The time is fast coming when the life insurance policy will be almost as integral a part of corporate and co-partnership structure as are the charter, the bond, the stock certificate, and the articles of co-partnership."

Growing in Favor

To such an extent has business insurance become popular, that one "old-line" company has recently issued policies on—

The President of a big milling corporation for \$100,000 insurance;

The President of a coal-mining company, \$85,000 insurance;

The President of a large coffee corporation, \$100,000 insurance;

The President of a quarry interest, \$75,000 insurance;

The Manager of an automobile company, \$150,000 insurance.

In all these instances cited above, life insurance is placed to underwrite the brains of the business.

Death is no respecter of time—and it frequently happens that the man of master mind meets with a untimely death at a period when his firm or company has but a limited amount of fluid assets in its exchequer. If there is a depressed or uncertain market at the time of a partner's death, a forced sale of securities may mean serious loss to the business, yet such sale may be imperative in order to make settlement of the deceased member's estate. Such readjustments often sap the very life blood of the business. Life insurance placed on each member of the firm for the benefit of the business meets this situation, and tides over the crucial period of change.

Partnership Insurance

In the case of partnership insurance, a man protects not only his business but his family when carrying protection of this nature. If lack of available funds necessitates liquidation of the business on the death of a partner, the deceased member's family suffers to the extent of the income it would have derived in event of the continuance of the business. Indeed in such case the failure affects the surviving member's family as well as the dependents of the partner who died.

If business insurance is necessary to the big corporation, it is equally vital in the case of partnerships where there is but a limited amount of capital, and where the success of the business is dependent upon the individual efforts of each partner. It may be that one partner is the "inside" or office manager, the other the "outside" or selling agent. The death of either partner handicaps the business, and capital is needed to tide over the period until an effective substitute is found to fill the place of the deceased firm member. Life insurance meets this emergency and supplies needed funds immediately upon receipt and approval of the beneficiary's claim.

(Inquiries concerning the foregoing, addressed to the Insurance Department of the Magazine will be answered fully and without charge.)

Points for Income Builders

What "Inflation" Means — Other Much Used Financial Terms Defined



IN the hey-day of the post-war period, when industry seemed colored with rosy tints and nobody except the bankers gave much thought to the morrow, there was a real shortage of some goods and an apparent, sometimes artificial, shortage of others which resulted in a price scale out of all proportion to normal times.

This situation was the result of the war — of the direct throwing in of all Europe's requirements upon the American markets. Our industries, instead of going along on the old basis, relying more or less upon domestic needs for their sales, found themselves producing for Great Britain and France and Italy. Not only were we producing our regular lines, moreover — food, clothing, manufactured goods and raw materials — but we were also sending over vast quantities of special materials in the form of munitions.

When the war ended, of course, it stood to reason that foreign demand for American goods would diminish, degree by degree. That being so, the price levels that were forced by war conditions and by exaggerated foreign buying, could not be considered lasting. They were the result of an artificial and unusual expansion of our markets, and were bound to contract as those markets contracted.

The bankers, who saw, almost alone, what was coming, warned that the unnatural expansion could not continue. They warned that a return to normal was inevitable, sooner or later. Only, instead of referring to the condition as an "unnatural expansion of production, consumption and price," they referred to it as *inflation*, which means the same thing.

Refunding

When a bond issue reaches maturity, the issuing corporation has the alternative of meeting the full debt represented, or issuing new bonds to take its place. The latter method has been more generally employed, especially in certain railroad enterprises. Where it is not employed, it is generally found that the corporation has reduced its debt by intermittent payments during the life of the debt, an entire bond issue seldom being retired at one stroke.

Convertible Bonds

The practice of issuing old-style securities with some modern frills attached has resulted in a number of comparatively new investment forms, of which one of the most popular is the so-called "convertible bond."

A convertible bond is a bond of a

certain class which has the added attraction of being acceptable in exchange for some other security of the issuing corporation, at a stated price, should the holder wish to make the exchange. Thus, the Norfolk & Western Railway Co. has an issue of 4½% bonds, due in 1938, which are "convertible into the company's

common stock at a par up to and including September 1, 1923."

The theory of the bond that is convertible into common stock is that it supplies the investor with a security which enjoys a high degree of safety in itself, but one which will nevertheless qualify him to share in any large growth of the company's earnings, which growth would naturally be reflected most fully in the common stock. For the alert investor with a discriminating sense of values, the convertible bond frequently offers a rather rare combination of safety and enhancement possibilities.

Another Income Builder Submits Budget

"E. M. S." Finds His Total Costs Agree Closely With Ours — Independence on \$300 a Year

THE August 5th issue of THE MAGAZINE OF WALL STREET contained a budget, which attempted to schedule the reasonable living expenses of a man earning \$2,500 a year. Extended comment from one reader was published in the succeeding issue (August 19th); and since then, the following letter relating to the original Budget has been received:

BYFI Department:

I am accepting the invitation to comment on your article, "Budget for the \$2,500 a Year Man," which appeared in the issue of August 5th.

I consider myself in the \$2,500 class, although while my salary is slightly less, my total income is somewhat more.

My own budget is for a family of four people. I have, for convenience, figured your budget and mine on a yearly basis. I have always found a monthly budget quite unsatisfactory on account of the great seasonal variations in certain items. My fuel bills are usually all paid between March 1st and June 1st, and the monthly outlay for clothing may vary from practically nothing to \$100 per month or more.

If we take your lowest rent figure (\$40 per month), the total of my budget happens to coincide remarkably with yours. I have omitted telephone, personal taxes and life insurance, so the two budgets may be compared. I live in my own house, but rent allowance of \$400 includes interest on first cost, together with maintenance charges, and so represents the real cost to me. The amount I have set down for Rent, Clothing, and Medical Expenses are partly based on a 4-year average, for these items vary enormously from year to year; but in every case I have based my estimates on today's prices.

I realize that a comparison of budgets is of somewhat uncertain value on account of the differing conditions under which two families may be living, but I will comment on a few of the variations which appear.

Here is how my budget compares with yours:

	Mag. of Wall St.	E. M. S.
Rent	\$480.00	\$400.00
Fuel and Light	72.00	180.00
Food (incl. Lunches)	612.00	650.00
Clothing	248.40	350.00
Recreation	141.60	35.00
Medical	204.00	35.00
Books, etc.	30.00	35.00
Charity	24.00	75.00
Incidentals	84.00	140.00
	\$1,896.00	\$1,900.00

I consider your estimate for Fuel and Light much too small unless heating is included in rent. If so, I should change your allowance for Rent to \$600. The items Food and Clothing are both too small for my family, but the difference is not important. The next two items seem to me all out of proportion for a \$2,500 salary. I allow \$35 per year each for Recreation and Medical Treatment, with the understanding that vacation charges, which make up the most of our outlay for Recreation, are not included. I realize that medical expenses may amount to almost any figure in case of a long and severe illness or

a hospital operation, but I regard these as contingencies like fire, which cannot be easily figured in estimates, and I have excluded them for the same reason that you have omitted certain charges.

I think your allowance for incidentals is much too small. This would include house furnishing, ordinary traveling expenses, laundry, domestic service, education, lodge and club dues, and a lot of unclassified expenditures. I consider my figure of \$140 even too low for the average family.

The items which you have omitted will, in my judgment, add about \$300 to the total, taking one year with another. This would leave a surplus of \$300, and at this rate a man will need to work and save a good many years before he can achieve financial independence. — E. M. S.

This Department's budget was for the \$2,500 man and his wife, or two persons. The budget of Mr. E. M. S. is for four persons. The chief points of difference are in recreation and medical expenses, which Mr. E. M. S. seems to have pared down to the bone. Taking into consideration the great saving on these items which he declares possible, Mr. E. M. S. can apparently maintain four persons on what we considered enough for two.

Hence, it seems provenly possible to maintain a home on \$1,900 a year, or to save \$600 a year on a salary of \$2,500. Half of that, or \$300 a year, at least for the young householder, should be ample for the items of insurance, taxes, etc., which we ignored. The rest, if only put in the 4% bank at the rate of \$25 a month (\$300 a year) would grow quite rapidly. Thus, \$25 a month, deposited at 4% every month, principal and interest left on deposit, would amount to:

In 5 years to	\$1,642
" 10 " "	3,643
" 15 " "	6,084
" 20 " "	12,685

No one of these sums, truly enough, is enormous wealth; but neither is \$2,500 a year an enormous salary.

The point is that the \$2,500 man can, if he wants to, live within his income and set aside a little every month. As he develops, of course, we suppose his income will increase, and he will set aside more. Upon how much more he manages to "set aside" will depend his success in attaining real independence.

What do our other readers think?

The Corporation

How It Serves the Public— Why Corporations Are Formed

THE previous chapter traced very briefly the origin of the world's economic system, showed how standardization developed in that system, how that standardization led to a need for mass production and mass distribution and, finally, how this need forced the growth and development of the great Corporation, as we know it today.

This Corporation, in its relation to the public—both as consumers and as investors—is the chief object of study in this book. And well it may be. For its influence pervades every phase of modern existence, its relation to society is one of the greatest single problems of our times, and a full and complete understanding of what might be called the Corporation System is of as great importance, even to the lowlier citizen, as any other that could be mentioned.

Let us in this chapter consider the Corporation from the consumer's and wage-earner's point of view first. Is this Corporation, with its immense financial resources, almost infinite powers (in spite of controlling laws) and such tremendous social influence an asset to modern life, or is it a menace? Are we better off with corporations than we would be without them? In short, do the services a corporation is equipped to render, and which it does render, justify its existence?

Answering the Questions

These are vital questions. They are questions many everyday men and women are asking themselves. One way of answering them is to ask other questions in return. Thus,

- (1) Would the combination of workmanship, quality and price now available in the standardized product of the great corporation be available under any less concentrated system?
- (2) Would the combination of solidity, efficiency, enterprise and sincere, earnest effort, which has made our "private" corporations so successful, exist were their control wrested from private hands?
- (3) How do the living conditions of the laboring classes—the steel men, for instance, who are provided with decent homes at a nominal cost; the factory men, whose families are insured against disaster; the telephone men, who have special stock-subscription privileges which enable them to share, beyond their wages, in the profits of their toil—how do conditions here compare with those in the pre-corporation era, when industrial employment was an ill-disguised form of slavery, when individual rights were recognized almost solely in the so-called "well-born"?
- (4) Was it not the resources and enterprise of the corporation which speeded the development of the great American West and Northwest, of the millions of acres of unclaimed lands in Canada, of fertile valleys, dry deserts and rushing rivers the world over? Is not far-sightedness and enterprise of this character still needed, to develop cheap power, irrigate much-needed lands, develop the world's mineral resources, the timber, steel and manufactures?
- (5) What demoralization and cut-throat competition would have inevitably followed the war in Europe had not the resources of the great corporations bulwarked American business against the let-down which took place?
- (6) Was it not the growth of the corporation which put one-time semi-luxuries—automobiles, for example, within the means of average men and women, thereby providing all the public with means of recreation so essential to health and well-being?

The foregoing is not to be construed as a blanket endorsement of any and all cor-

porations. For sure, there have been cases in the past which indicated that the great power of the corporation can be misused. But the principle of the thing, that the great corporation has done far more good than harm, that it is essential to modern life, seems established beyond question. The individual exceptions—cases where the corporation has done or is doing harm—are not easy to find; and, when they are found, they resolve into an indictment not of the corporation principle but of certain short-sighted individuals, men who would abuse whatever office they held no matter under what system they operated.

Organizers' Point of View

Having glimpsed the "why" of the Corporation from the standpoint of the public, let us look into it from the point of view of the men who form it. Let us take a purely imaginary case, though modeled along the lines of actual experience:

As our "scene," we might choose New York City fifty years ago, or when the corporation principle was comparatively new. As our "personnel," five bakers will do. Let us suppose that they meet, informally, and that their talk turns toward business, as it naturally would under the circumstances.

These five bakers we will say, are frank and outspoken; and so, in the course of the conversation, it develops that no one of them is making a really satisfactory "living" from his business, due to numerous handicaps, particularly the following three:

- (1) Each baker is operating a costly individual delivery system, which is idle about 50% of the time.
- (2) Each baker is operating his own separate "plant," employing at least three helpers. Because of their multitudinous other duties, the individual owners cannot constantly watch the mixing and baking; hence, all the plants are run in a slipshod, inefficient manner, turning out five dozen loaves of good quality today, five dozen of poor quality tomorrow, using too much flour, wasting heat, etc., etc.

- (3) No single baker can manage to cut down his "overhead" and running expenses sufficiently to permit him to reduce the price of his bread. Hence, they cannot pull trade their way by means of price-saving inducements.

"If we had one central plant, under the constant supervision of two of us," says one of the five bakers, "and put modern equipment in it, we could turn out enough bread for all five of us. That bread, instead of being mixed and baked by people who have no interest in keeping our costs down and our quality up, would be produced more efficiently and cheaper by reason of our two supervisors constantly being there to watch every operation.

"We could discard all of our one-horse delivery wagons, and in place of them get two or three good team trucks. That would mean less horses to feed, less drivers to pay and less trucks to keep up—and still we could get our bread delivered.

"We could make improvements also in our stores, our counter sales and our display windows. We could give our bread a name—something like "Standard Loaf"—and all help to advertise it."

Getting the Money

"All that is very true—a very pretty dream," we can imagine another baker interrupting, "but it takes money to buy new ranges, new teams and carts, new store equipment and all that. Where would we get it?"

Obviously, the solution was the formation of a corporation, through the sale of whose stock the necessary funds could be raised. We can suppose that such a corporation was formed; from there it is easy to see how its creation would have resulted in

- (1) Better bread.
- (2) Cheaper bread.
- (3) Greater manufacturing profits, due to lower costs, leading to:
 - (a) Adequate financial returns for the founders;
 - (b) Increased business credit, permitting an extension of the system and of its benefits;
 - (c) Increased financial resources, to tide the five bakers over in dull times, and, finally,
 - (d) A good investment for the surplus funds of the men and women who became stockholders.

(The next chapter will analyze the structure of a corporation, physical and financial, showing how it is capitalized, why it is capitalized and to whom the benefits of capitalization accrue.)

Bothered by the Routine?

MANY investors find the routine duties connected with investing a bothersome responsibility. Among these duties are the keeping of income-tax records, payments of insurance premiums, collection of principal on past due bonds or coupons, immediate action, when that is desirable, in the matter of subscription "rights."

One way to dodge all this detail is to put your securities on deposit with a trust company. By this method, you are immediately relieved of all record-keeping; and the trust company acts for you in all routine matters. The plan has added merit in that it does not mean your sacrificing, in the slightest degree, the direction of your investment affairs. Further details, in this connection, can be had by application to the BYFI Department.

Public Utilities

What to Expect from the Public Utilities

Are Recent Advances in Securities Justified by Current Earnings and Outlook for Near Future?

By JAMES N. PAUL

RECENT strength and activity of many of the shares of public utility companies has brought the question to the minds of many that they are selling in very high ground on their yield basis. Do figures of operating costs indicate record earnings this year and have they already gone as far as they can be expected to go for the time being? Will not operating costs follow the general movement of prices of commodities and may they not be expected to advance to the detriment of public utility companies? All these are pertinent questions to be taken into consideration in connection with the outlook for this class of securities.

It is true that index of price movements of commodities in many instances show a slight upward tendency. But while operators of large public utility properties hesitate to talk, fearing rate cuts, best opinion is that continuation of improvement in conditions affecting public utility properties can be expected to continue well into next year. Survey of the situation and analysis of earnings figures of a fair amount of large companies show they are only now beginning to reap the benefit of reduced costs. The vast majority of them, it is indicated, where figures for early months of 1922 are available, have not nearly reached their full stride as yet in the way of earnings.

Operating Ratio

Operating ratio is the relation of gross earnings to net; in other words the percentage of gross required for operating expenses, the balance being used for fixed charges such as interest on funded debt and for dividend payments. Five or six years ago, a well managed company would show an operating ratio of from 55% to 65% depending on local conditions and character of business. War-time conditions followed by a period of inflation brought ratio away up but 1921 figures indicated a moderate decline. Figures for early 1922 months show on an average marked declines especially among the electric companies closely followed by gas companies. With a few exceptions operating costs for traction

companies are still comparatively high as labor constitutes their chief item of expense.

Electric Companies

Companies supplying electricity appear to be in the best position of any public utility companies. The hydro-electric companies, of course, have been little troubled with high operating costs which are small requiring only negligible amount of labor for production. Distribution is their large item. Those companies which are doing large hydro-electric business appear to be in line for largest expansion.

Electric companies generating energy by means of coal have shown remarkable gains this year on lower coal prices.

indicated marked economies this year and in 1923.

Greatest room for improvement seems to be among the traction companies. Item of wages on an average constitutes more than 60% of total operating costs. It is estimated that wages of street car employees are still 75% above those of 1914. Practically all traction lines have secured rate increases and 1923 should be the big year for these companies. Securities of many of these companies are still highly speculative and the far-seeing investor who is willing to take some risk should be able to pick out some good opportunities among them.

For the purpose of illustrating trend of operating costs, several companies'

DETROIT EDISON CO. RELATION OF GROSS TO NET

	Gross	Oper. Net	Oper. Ratio (%)	Net for Divs.
1913.....	\$8,546,547	\$2,324,261	58.00	\$1,115,650
1914.....	8,495,816	2,821,064	56.57	1,418,752
1915.....	7,759,932	3,548,713	54.27	1,848,056
1916.....	10,068,766	4,577,603	54.53	2,717,413
1917.....	12,270,926	4,446,411	63.79	2,528,286
1918.....	13,801,527	4,629,990	67.18	2,334,223
1919.....	16,498,491	5,138,318	68.86	2,488,735
1920.....	21,590,352	4,933,694	77.55	2,070,987
1921.....	23,382,896	7,743,635	68.88	2,850,170
*1922.....	12,876,744	3,719,393	68.30	1,923,741

* Covers six-month period to June 30, 1922.

Experience of a large middle western company with average freight haul is indicative of the general situation. It is now getting coal at about \$3.75 a ton compared with a \$5 price early in 1921, which was later reduced to \$4.50 in the late months of the year. The coal strike has had some effect but nothing disastrous as utility companies usually carry large supplies on hand.

Another factor with electric companies which is helping is the almost universal expansion of use of electricity. With larger gross companies can naturally operate more economically. The electric companies should do considerably better the latter part of this year and next.

Gas and oil are chief items of expense with gas companies. Expansion with these companies is not heavy but operating costs, principally coal and oil, have

activities are touched on briefly as being indicative of general conditions. Detroit Edison Co. is an excellent example of a well managed electric company operating under average conditions in a growing territory.

Detroit Edison Co.

Prior to 1917 less than 60% of gross revenues was needed for operating expenses, but the figure began to mount in that year reaching its high point in 1920. There was a marked recession in 1921 but figures for early months of 1922 indicate an even better showing. Detroit Edison operates chiefly in the city of Detroit and its chief trouble has been to have capacity keep pace with demand for electricity. Here the factor of heavily increasing gross enters, which as it goes higher re-

(Continued on page 798)

Laclede's Sharp Come-back

Rapid Restoration of Earning Power—One of the Sensations of the Year in the Public Utility Field

By ALFRED MAYS

THE quick turn-about made by Laclede Gas Light Co. which within the short space of six months has emerged from a position where it was steadily showing monthly deficits, to a point where it is earning at an annual rate of between \$10 and \$12 a share on its common stock, has been one of the sensations this year in the field of public utility companies.

Laclede Gas Light Co. is one of our oldest public utility properties having been organized prior to 1860. Since that time its principal activity has been furnishing gas to St. Louis though a small amount of electric energy is also sold. Up until 1918 its securities had always enjoyed a high investment rating but the beginning of advancing operating costs saw the first stages of a period of three years during which its common stock declined more than seventy points to below 35. Its ability to stage a quick comeback has been little short of phenomenal.

With the return to good earnings, directors have been quick to restore the dividend and early in August the common stock was again placed back on a \$7 annual dividend basis, the first paid since early in 1919. Under a management which has always been very conservative there seems to be little doubt that this rate can be maintained.

Better Earnings Explained

There have been two reasons for the quick reversal of form shown: declining operating costs and advancing prices for coke. Lower operating costs chiefly represent more advantageous prices for coal on contract.

Recent despatches from St. Louis in connection with agitation for a rate reduction quoted President Holman as stating that company is now getting coal on contract at \$3.34 a ton compared with \$4 at the beginning of the year and \$5 a ton

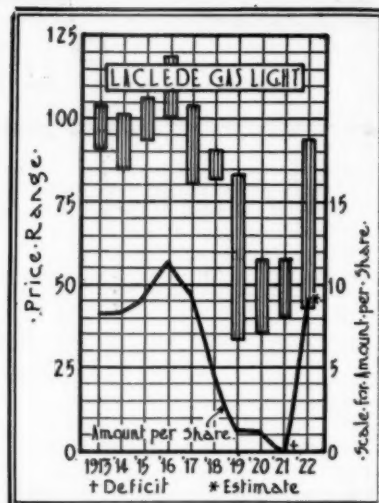
paid the greater part of 1921. In addition, arrangements have been made whereby company will get coal next year under \$3 a ton. As coal is the largest factor in determining operating expenses for a gas company the better showing this year was to be expected.

The other item which has brought down operating cost this year is the ready market for by-product coke which Laclede Gas sells in large quantities. The coke is a by-product of gas making and company deducts revenue from coke sales from operating expenses. The beginning of 1922 found the company with abnormally large supplies of coke on hand. Even under normal conditions, the coke revenue is good and provides a steady source of income.

Current Earnings

Current earnings are remarkable compared with the poor showing of 1921. While a deficit was shown last year, statement for six months ended June 30 last showed that for first three months Laclede earned \$1.25 a share on the common stock while in the second quarter slightly more than \$3.00 was earned, making \$4.32 for the half year. On the basis of earnings for the second quarter company is now doing better than \$12 a share annually. However, as coke sales at high prices probably played a large part in permitting the great improvement, it is not likely that this rate will continue for the balance of 1922 in the event that the coal strike is settled. Taking an extremely conservative view-point of the situation it would seem as if the company had gotten back to where it was in pre-war days with an assured earning power of between \$7 and \$10 a share on the common. On a conservative valuation of its properties, earnings of this amount on the common seem fully justified.

The accompanying table illustrates the



difficulties which the company encountered during the period of high operating costs. An analysis of income account for five years previous to those shown in the table shows that from 1913 to 1917, inclusive, earnings were well stabilized ranging from \$11 to \$8 a share on the common. The five-year average earnings in these years was \$9 a share on the common. In estimating earning power of Laclede, there is no reason to assume that the company has not returned to a basis where it can make a showing similar to those of the 1913-1917 period in the next few years.

Gas Rates

Recent upward movement in the common stock on the strength of the dividend resumption has brought forth some agitation in St. Louis under leadership of newspapers for reduction in rates. In July, 1920, the Missouri Public Service Commission put into effect an increase which permits the company to charge on a sliding scale, 85 cents, 95 cents and \$1.05 a thousand cubic feet. Comparison with rates charged by other companies in large cities shows Laclede's price to be below the average. Best opinion is that current rates will not be interfered with unless radical costs in operating expenses are coming. In this event, it would be only fair to have rates cut but indications are that the Utility board will certainly permit the company to show a fair margin over the \$7 dividend requirements on the common.

Conclusion

Laclede Gas common stock selling in the lower nineties and paying an annual dividend of \$7 a share presents a different proposition than when attention was first called to it in these columns. At that time the stock was selling in the sixties and no dividends were in sight or justified on current earnings. However, even at the present selling price of slightly higher than 90, the stock should be attractive to the investor who favors public utility stocks and who is content to hold for a pull.

LACLEDE GAS					
GROSS AND NET EARNINGS OVER FIVE-YEAR PERIOD					
	1918	1919	1920	1921	1922*
Gross	\$4,496,610	\$5,531,710	\$6,533,607	\$7,137,461	\$4,000,295
Net	1,854,898	1,875,097	1,942,366	1,538,197	1,881,494
Am't per common share...	\$4.53	\$1.32	\$1.28	\$3.24†	\$4.32
Dividend Paid	\$7.00	\$1.75	none	none	none‡

* For 6-mos. period ended June 30.
† \$7.00 annual dividend resumed August 3, 1922.
‡ Deficit per share on common.

Inquiries on Public Utilities

Inquiries on Other Securities Will Be Found in Their Respective Departments

MARKET STREET RAILWAY Prior Preferred Still Attractive

Some time ago, on your recommendation, I bought 100 shares of Market Street prior preferred stock, for which I paid \$59 a share. It is now selling at \$64. Would you recommend I take my profit and switch into something else? What do you think of Cuban Cane Sugar preferred as a good switch? I know it pays nothing, but with sugar selling for higher prices, I thought I could possibly make more money out of on any advance and that it would soon resume dividends.—M. K. J., Shreveport, La.

We could not recommend switching Market Street prior preferred stock into Cuban Cane Sugar, preferred. While the sugar situation has shown considerable improvement, it is our opinion dividends on Cuban Cane Sugar preferred are remote. Though the stock may have speculative possibilities, this is also true of the Market Street shares. The latter at \$64 and paying dividends of \$6 a share, with earnings running over \$10 a share per annum, with 12% accrued dividends appears much more promising, even from the speculative standpoint. Aside from its earnings showing, the City of San Francisco recently resumed negotiations for the purchase of the property. In the event these negotiations are successfully consummated, the prior preferred, with only \$14,000,000 bonds ahead of it, should certainly show considerable enhancement in value from present levels. If nothing comes of these negotiations, the stock seems attractive on its own merits. Under these circumstances, we recommend that it be held.

MANHATTAN ELEVATED Deposit of Stock Recommended

I hold some Manhattan Elevated Railway stock which I have not deposited with the committee. As the Interborough guaranteed to pay 7%, it seems to me they should carry out their agreement and I do not see why the stockholders should give up their rights. Do you consider all these urgings simply propaganda to save the difference for the Interborough and would it not be better for the Manhattan to operate its own property rather than make a present to the Interborough of that part of the dividend which they demand?—H. J. K., Jersey City, N. J.

We would advise deposit of your stock with the committee. Under the circumstances, we believe the proposed plan would also work out to the best interest of Manhattan Elevated stockholders. When the property was operated independently, with no such competition as now confronts it by the subway lines, earnings were never sufficient to pay 7% on the stock, and it is very doubtful if by independent operation even 5% could be earned thereon. It is true, Interborough guaranteed 7% payments when it leased the Manhattan property, but it is obviously impossible to make such payments, and a receivership, which will result if the plan is not consummated, will simply give the property back to the Manhattan stockholders. In that event, it is quite likely shareholders will not fare as well as by taking the 5% dividends offered by the Interborough. Under Interborough sys-

tem of accounts, the Manhattan has not been earning anything for the stock, and while independent operation would probably demonstrate the property could show some earnings, we do not believe they would be sufficient by a wide margin to pay the disbursement now proposed.

AMERICAN TELEPHONE & TELEGRAPH CO.

Premier Public Utility Stock

Acting on your advice, I purchased 25 shares of American Telephone & Telegraph Co. stock at 124, only to find several days later that the stock's quotation fell a point and later went to 118, a very unusual thing for a premier investment stock. It seems odd that such interests as yourself were not aware of a new stock issue of such immense proportions as \$115,000,000. I am uncertain as to how to interpret the probable status of the old stock in price with such a large amount of new stock to be issued. I will appreciate your advice as to whether to sell my present holdings with the rights as well, hoping to get such stocks cheaper later, or hold same for probable enhancement of value. It occurs to me that the dividend rate may be necessarily decreased after the new stock is on the market. Is this your opinion?

It is true, as you say, upon announcement of the proposed issue of \$115,000,000 additional stock, the American Telephone & Telegraph Co. shares had a quick break to 118, on speculative offerings, but the recovery has been even more rapid and the stock is now selling at even a higher price than you paid for it, showing the high regard in which it is held by investors. While we at no time undertake to predict minor fluctuations, to which even the best bond investments are at times subject, we see no reason to change our view that the stock is a good holding. We are favorably impressed with the future of the company. The increased demand for its service makes it necessary for the company to provide facilities, and its high credit standing is shown by the eagerness with which its stocks are taken. As the company has demonstrated its ability to show satisfactory returns on capital invested, we do not consider the present situation an adverse factor by any means and are of the opinion the company will be able to continue present dividend disbursements on its stock even after the financing contemplated is completed.

AMERICAN WATER WORKS & ELECTRIC CORPORATION

Preferred Stock a Good Holding

Would you recommend that I buy American Water Works & Electric Corporation 7% preferred stock, which I notice is selling at 87? Do you think it has any chance of selling higher?

We think well of American Water Works & Electric Corporation 7% preferred. Net earnings for the 12 months ending July 31, amounted to \$1,457,844, whereas it only requires \$465,500 to pay the 7% dividend on the first preferred. We consider the stock undervalued at present prices and that it is a good business man's holding.

BRAZILIAN TRACTION, LIGHT & POWER CO.

Should Be Held

I have been holding some of the Brazilian Traction Light & Power stock for a long time. It is not now paying dividends and I have been thinking it might be well to get rid of it and buy something else that, if it did not pay dividends, would have some good prospects of selling higher. Can you give me any suggestions that would be of benefit?—A. H. P., Savannah, Ga.

The Brazilian Traction, Light & Power Co., Ltd., is a consolidation of local companies controlling public utility services in Rio de Janeiro and San Paulo, the two leading cities of Brazil. The company has outstanding a funded debt of \$76,688,908; \$10,000,000 6% cumulative preferred and \$106,576,000 common stock. The uncertain business conditions last year in the Republic, combined with abnormal costs of operation, had an adverse effect on operations last year, but the company has demonstrated a good earning power and, even in 1921, earned about 2½% on the common shares. Earnings so far this year have shown rapid recovery, and for the first six months net has shown an improvement of around 35% over the same period last year. The improvement has been so substantial, that directors have authorized resumption of dividends on the common at the rate of 4% per annum, and a quarterly payment will be disbursed September 1st, to stockholders of record July 31st. The president of the company has also already stated that the December dividend will be paid when due. We see no reason for disposing of the stock, now that the company has definitely turned the corner, and recommend it be held.

BROOKLYN RAPID TRANSIT

Recommend Switch to Notes

I hold some Brooklyn Rapid Transit stock that cost me \$28 a share, since which time the stock has declined to \$25. Do you consider it a good investment and would you recommend averaging at the present price?—T. K., Brooklyn, N. Y.

While the Brooklyn Rapid Transit is showing very encouraging increases in net, owing to the more favorable operating conditions confronting the company, we are of the opinion the common has a long way to go before it will again be on a dividend basis. The company will have to arrange for large amounts of cash to take care of its indebtedness, including principal and interest on the 7% notes, which are in default. Under these circumstances, it is our recommendation that you transfer your holdings into the notes. Certainly, both principal and accrued interest thereon, which now amounts to 24½%, will have to be taken care of before any consideration can be given the stock, and it is, therefore, our opinion that the notes are a better speculation than the stock.

Petroleum

Standard Oil Co. (New Jersey)

A Powerful Factor in Oil

Notes on Its Re-Growth Since the Dissolution—The Company's Present Position

By JAMES W. MAXWELL

THE original Standard Oil Company was formed fifty-two years ago in the State of Ohio. It was capitalized at \$1,000,000, and all of the stock was privately owned.

The company's shares first became available for public investment in 1882, twelve years after its organization, when the capital stock was increased to \$3,500,000.

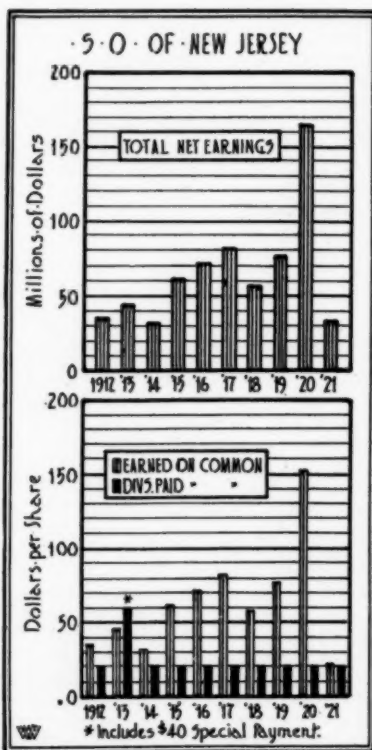
From 1882 to date, the company has paid out in cash dividends alone, a total of no less than \$957 per share. These cash payments averaged nearly \$24 per share annually. In addition, the stockholders who retained their original interest in Standard Oil received a pro-rata interest in the thirty-three subsidiaries, which were separated from the parent company in the trust-busting era from 1905 to 1912. Just what the income value of these additional holdings has been would be rather difficult even to estimate. But it is safe to say that it has compared very favorably with the cash returns on the parent stock as totalled above.

This marvellous record is only a small chapter in story of Standard Oil.

From a Shell to a Meaty Nut

When the Standard Oil Trust was dissolved, by court edict, in 1912, the parent company was left a hollow shell. All but a fraction of its great producing properties were gone. It lost practically all of its refinery capacity, except for a single plant in Louisiana. The unlimited marketing territory which had been its field of operations in the past was reduced to the Atlantic Seaboard states south of New Jersey, and operations in the United Kingdom and China were prohibited. Most people thought the giant had been permanently crippled, and, presumably, those who had produced the dissolution were well-pleased with what looked to be a very thorough-going bit of wrecking.

Fortunately for the thousands who now owe their means of livelihood directly to the Standard Oil Co., as well as the millions of consumers who use its products, and the stockholders, the laws under which New Jersey was dissolved had their application to the then existing situation, and were not intended to proscribe future re-growth. The object was to set



up competition where it was believed that sufficient competition did not exist. There was no apparent intent, rather naturally, to prevent New Jersey's rebuilding, once the desired competition had been established.

Aided, inestimably, by the remarkable growth of the motor industry and the development of various other oil-burning mechanisms, the New Jersey management—as astute a body of men, probably, as would be found around the directors' table of any corporation in the world—set about the rebuilding as soon as the dissolution terms had been carried out. Their objective was reached in a remarkably short time.

By 1920, eight years after the dissolution, New Jersey had developed assets far in excess of the total holdings of the

original corporation. It had extended its activities throughout the world, with production in America and Europe, and immense potential production in South America, the Far East and the Near East. Refineries had been set up in Canada, Cuba, Mexico, Colombia, Peru, Roumania and scattered over the United States. Its net assets, according to the president of the company, amounted to substantially more than one billion dollars—a great deal more, if the company's conservative bookkeeping practices were taken into consideration.

Also Standard Oil of New Jersey's earning power had been made very much larger, not only than the earning power of the original trust, but than that of any other reporting corporation in this country. Thus, in 1920:

S. O. New Jersey earned.....	\$104,000,000
U. S. Steel earned.....	90,000,000
S. O. Indiana earned.....	64,000,000

The foregoing traces, in brief, the "meat" that has been put into the hollow shell that was Standard Oil of New Jersey in 1912.

The First Serious Setback

Last year, New Jersey had the first serious setback in its history, if we ignore the 1912 episode. As the accompanying graph will show, the corporation's net income in 1920 had risen to the huge sum of 164 millions, or greater by over 100% than in the previous year. The year 1921 saw the earnings reduced to 33 millions, or the lowest since 1914.

The drastic decline was attributable in greater part to the price-cuts which featured the crude market during the year, coupled with heavy inventories acquired at record high prices. Thus, when 1920 closed, New Jersey's inventories were about 284 million, largely representing Pennsylvania crude at \$6.10 a barrel, Mid-continent at \$3.50 and Gulf Coast at \$3. These grades ultimately reached as low as \$2.25, \$1 and 80c. a barrel, respectively, in 1921. Put on an average basis, the three grades declined from \$4.20 to \$1.35.

But the results in 1921 can scarcely be held comparable with those in 1920 or any other year in the company's history. Both 1920 and 1921 were abnormal in every respect. As an official of the company

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has pointed out, the enhancement in inventory values which resulted from the sustained rise in prices in 1920, and which contributed largely to the profits for that period, was counteracted by the sharp decline in prices during the first half of 1921.

The company's 1921 showing is more properly to be considered in relation with its dividend requirements, which permits analysis of Jersey's ability to cope with radically bad conditions. When this is done, it is seen that S. O. of New Jersey, under the worst conditions in the history of the oil trade, was able to earn its common dividends with a small margin to spare—a remarkable performance, in the light of other companies' records.

With last year's setback a thing of the past, the current year finds Standard Oil in a position to take full advantage of what promises to be an era of steady expansion in the oil industry. Its production is materially smaller than previously, due to the decline in Mexico. Thus, where 45,000 barrels a day were being obtained from Mexico two years ago, New Jersey was said to be receiving less than 6,000 barrels a day from there early this year, and today the total is considerably smaller. But the company is getting at the rate of 11 million barrels yearly in Oklahoma, Kansas, Wyoming and Pennsylvania, through the Carter Oil subsidiary; 12 million yearly in Oklahoma and Texas, through Humble Oil; and in the Standard Oil of Louisiana it possesses property with a flush production of from 10,000 to 20,000 barrels a day and a settled production of 3,000 barrels daily.

The Mexican phase, by the way, should not lead to hurried conclusions as regards Standard Oil of New Jersey. As a matter of fact, there is no little substance in the view that reduced production in the Southern Republic will ultimately prove highly beneficial to New Jersey and all the other American oils. Standard Oil officials foresaw the trend in Mexico when oil first started to pour from Mexican soil; its investment in that country has undoubtedly been on a small scale and more or less of a hand-to-mouth basis; it has participated in Mexican production while production was going strong, but now that the reverse is true, stands to lose little and should profit from the necessarily increased demand for American oil.

How the New Jersey corporation views the Mexican outlook today is explained at length in the current issue of *The Lamp*, which says in part:

Under existing conditions, only a part of the huge investment which the operating companies as a whole have made in Mexico will ever be returned to them. In this connection, it must always be remembered that apparent profits from the operation of oil wells or other mineral deposits do not and cannot become actual profits until the sums invested in the enterprise have been completely amortized. It is safe to assert that few, if any, of the existing oil companies have been reimbursed for their original investment up through the present time, and that collectively they now face a loss of not less than one-half of the original investment. The story of the insolvent companies and of the great losses suffered by many others of the producing companies in connection with their Mexican oil investments as evidenced by the annual reports of some companies and the court records in regard to others, tells something of the situation in which the companies find themselves today. It

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is no exaggeration to say that if the companies had foreseen the conditions which now exist, they would never have invested the capital which has gone into the development of the Mexican petroleum industry.

Besides its domestic production mentioned above, the company has vast tracts of land abroad, particularly in South America where one concession alone is estimated at over 8 million acres. Development here is being pushed rapidly, and there is no little reason for believing that production will be started before many more months, assuming the oil situation to warrant it.

The company has the finest tanker fleet afloat, amounting to nearly 700,000 tons deadweight. The fleet was increased by over 155,000 tons last year, or a gain of 28% in its carrying capacity.

Through its subsidiaries, Standard Oil is the largest dealer in natural gas in this country. It sold over 105 million cubic

feet in 1920, and extracted more than 27 million barrels of casing-head gasoline.

Finally, the company's crude refining capacity of over 150,000 barrels makes it one of the most completely equipped units in the oil world.

With these vast natural resources, transportation, refining and marketing equipment, it is easy to see why the New Jersey Company is looked upon as the greatest corporation of its own or any other kind in this country. The company closed 1921 with a net working capital of over 384 millions, and net assets of more than \$174 per share.

The stock itself is one of the leaders of the oil group and in consideration of its very high asset value and earning power may be regarded one of the strongest among the oil investments.

Atlantic Gulf's Position

Good Progress Made in Restoring Financial Position of AGWI

AT LANTIC, Gulf & West Indies Steamship Co., with twenty millions of surplus earnings accrued from the war, invested the entire sum in oil.

Mexico was selected as the producing field. Two large pumping stations, and two 10-inch pipe lines to a terminal and sea-loading station were constructed in connection with a 30,000 barrel refinery at Tecomete. In addition, the company contracted for 14 large tankers.

A combination of misfortunes ensued, featured by failure of some of the company's best wells, drastic reaction in oil prices, and heavy decline in value of tanker tonnage. In addition, AGWI's own business, shipping, was cut to pieces.

With its funds invested in peak priced properties and equipment, the company was in no position to tide over the period of reversal, either in oil or shipping. What oil could be produced was sold more or less for what it would bring.

The full effects of these setbacks showed particularly in the 1920 report. The company managed to just scrape through, with an income before dividends of \$148,000, contrasting with an income of over five and a half millions in the previous year.

Restoring the company's position, both physical and financial, has since occupied the AGWI management. It must be admitted that great progress has been made.

Thus, in 1921, the company had a net profit of over 2 millions, as against less than \$1,500,000 in the previous year. It had reduced bank loans, by August 1, last, from 6 millions, as of 1921, to \$1,200,000. At the beginning of this year, it held nearly 3 millions in cash.

The company's showing on paper was spoiled by special debits charged against the year's earnings, and amounting to over \$3,800,000. But these debits were to take care of losses accrued from an ill-fated venture in French oil; losses shown in tankers that had been bought at peak

prices and had to be sold at panic prices, and also losses from forced liquidation of Liberty Bonds. The debits are in no respect a normal obligation, nor one likely to affect earnings in the current year.

AGWI's present financial situation is undoubtedly better than at any time since the reversals set in. The company appears to have paid, except for the bank loans due this October, for its false step in full.

Hard Pull Ahead

Nevertheless, the company must still have a long, hard pull ahead of it. Shipping charters, effected in 1920, are renewing at heavily reduced rates. The shipping business itself is heavily reduced, although showing some signs of gradual recovery. The company has a funded debt of 35 millions, or 10 millions more than in 1920, and its interest charges call for over 2 million a year. The Mexican oil properties, while producing, are not making money. The company's oil possibilities, to a great extent, are limited to its interest in the Colombia Syndicate, and the possibilities there are not assured.

The AGWI funded debt includes \$15,000,000 collateral trust 5s. The security behind these bonds was analyzed in this Magazine just one year ago (Sept. 17th, 1921) when they were selling at \$50. The analysis cut the book value of the tonnage represented by these bonds in half, and showed that excess assets would still amount to 100% of the collateral trust issue. The bonds were recommended for immediate investment. Since then, they have advanced to close to 70, and reacted to the present price around 59. Offering a yield of over 8.50%, and with interest earned 1.87 times in the difficult year 1921, the bonds certainly have speculative attractions, although it is doubtful whether interest will be earned this year.

The preferred and common stock, neither of which are paying dividends, are strictly speculative.

Mining

What is the Outlook for Silver?

What Will Happen to the Market After the Pittman Act Becomes Inoperative?—Position of the Leading Shares

By C. S. HARTLEIGH

IN October, 1921, when silver was selling in the outside market at more than 70c. an ounce, the silver miner was elated over the prospect of seeing the price advance still further, not because it would influence his own profits which were based on the Pittman Act price of 99½c., but because the hope was held out to him that the outside market price might cross the dollar line and thus have the effect of keeping the Pittman Act in force for an indefinite period. It was pointed out that with silver above a dollar an ounce, the Pittman Act would become inoperative until such time as the price of the metal again sagged below

that figure, and the Act would then come to the rescue, and support the price for the benefit of the domestic producer until it could again be laid on the shelf for the next emergency. Those who viewed the situation still more optimistically, including Mr. Pittman himself, suggested that the effects of "dollar silver" would prove to be so beneficial that the Pittman Act might be extended in its operation, or that similar legislation might be passed which would serve to sustain the price of domestic silver. On the other hand, many could be found who had the propensity of taking the joy out of life by insisting that the Pittman Act would not be extended after it had served its original purpose, because it interfered with the economic relationship of supply and demand, and would serve to sustain the price of a commodity in the interest of a relatively small class of producers at the expense of a great number of consumers.

The Life of Dollar Silver

When this subject was last reviewed in this Magazine (February 4, 1922) about 88,570,000 oz. of silver had been purchased under the Pittman Act and it was esti-

mated that about two more years would be required to purchase the balance of the total 208,000,000 ounces to be taken under the Act. On August 26, 1922, about 126,500,000 ounces of silver had been purchased by the Government, leaving 81,500,000 ounces to be taken. If it required seven months to account for 37,930,000 oz., a simple proportion would suggest that the balance to be purchased would extend the terms of the Act for about 15 months. However, this calculation is inaccurate because many of the large copper companies that have resumed operations during the past year produce considerable by-product silver. This metal

price of silver since its last bulge above 73c. in May, 1922, or at least its failure to rise substantially towards the dollar line, may be accounted for by the theory that the market price of the metal is beginning to discount the passing of the Pittman Act.

Furthermore, these crêpe hangers try to make us believe that many orientals have become modernized as a result of industrial activities in connection with the war, and that they are less disposed to hoard, and more inclined to engage in industry, and that as a consequence these countries will never again be the "sinks" for silver that they have been in the past. However, it would be difficult to estimate the effects of any such transition in racial characteristics, even if we could be led to believe that the miracle has been performed.

An Expert's Opinion

A well-informed bullion dealer in London, who has been familiar with India's silver requirements for the past 50 years, was asked recently what he thought of the market outlook for silver in that country. He replied that he found it impossible to make a reliable estimate because he knew of no European who had been able to fathom the oriental mind.

Rather than believe too readily that oriental characteristics have been radically changed, especially with regard to the metal silver, why is it not reasonable to suppose that the average Chinese or Indian has become more wary and cautious as a result of numerous political disturbances and upheavals during the past few years, and that he is likely to be less inclined than ever to invest in credit or surplus goods, but on the contrary may be more attracted than ever by real metal coin that he can see and feel, and of whose value he has a definite conception? With these thoughts in mind, the ultimate outlook for the silver market appears more hopeful than those pessimistic over the situation seem to think is the case.

The Coppers as Silver Producers

The accompanying table presents MAGAZINE OF WALL STREET ratings on half a dozen of the largest silver producers. It is of interest to note that only one of the companies mentioned, namely Nipissing, THE MAGAZINE OF WALL STREET

LEADING SILVER PRODUCERS RATED

Company	Oz. Silver Per Annum	Character	Possibilities	Management	Record	Financial Strength	Earning Power	Net Rating
Am. Smelting.....	75,000,000	5	4	5	4	5	4	27
U. S. Smelting....	18,000,000	5	4	5	4	4	4	26
Anaconda	6,000,000	5	4	5	4	4	4	26
Cerro de Pasca....	3,000,000	5	3	5	4	4	4	25
Nipissing	8,000,000	4	3	5	4	4	3	23
Butte & Superior..	2,000,000	4	4	4	2	3	4	21

added to that offered by the strictly silver mining companies increases the supply and hence diminishes the effective life of the Pittman Act. It is reasonable to suppose, therefore, that dollar silver will last about 13 to 14 months longer.

The Pittman Act has helped the outside market price because it has removed domestic silver from competition with metal produced elsewhere, and has thus permitted foreign silver to make the most of the entire demand outside the United States. This support of the outside market will be withdrawn as soon as the Pittman Act expires, and the metal will then have to shift for itself in a world market.

To meet this situation, those who hope for higher silver prices must advance the argument that the demand from India and China will resume its former influence within the next 15 months, and that the old-time unlimited hoarding of the metal in oriental countries, together with its requirements for the making of ornaments and utensils, will come to the rescue and sustain the price by virtue of an accumulated potential demand that has remained unsatisfied since the beginning of the war.

On the other hand, the pessimists suggest that the gradual recession in the

ing, is engaged exclusively in the mining of silver ore. It is apparent, therefore, that a larger percentage of silver entering the domestic market is produced as a by-product in connection with the mining and smelting of base metal ores. In addition to those companies mentioned in the table, there are over thirty mining companies, whose securities are all listed, with a few exceptions, on the New York Curb, that produce appreciable amounts of silver. Only seven of these companies are engaged exclusively in the production of silver and gold ores, and eleven others producing silver-lead ores. Few of these mining companies, even including several large copper companies that produce considerable by-product silver, contribute as much as one million ounces of the metal per annum, and most of them produce a few hundred thousand ounces or less. Therefore, such companies as those mentioned in our table, and more particularly the two large smelting companies and the Anaconda Copper Mining Co. are the most important individual factors in the production of silver.

American Smelting and Refining

None of the companies mentioned in the table needs any introduction here. American Smelting & Refining Co. has been in operation for more than twenty-two years, and has made a remarkable record so far as its original stockholders are concerned. Since it purchased the smelting business of M. Guggenheim's Sons in 1901, it has paid to its stockholders nearly \$119,000,000 in cash dividends. This is equivalent to paying the stockholders over \$23,000,000 in excess of their original cash investment, together with 6% interest for over 20 years. Its preferred stock has many of the elements of a sound investment, and in addition, has passed through numerous twenty to thirty-point speculative moves. The common stock has for many years been a speculative favorite, and in boom periods has sold at more than double its present price.

The company owns twenty-three smelting and refining plants located throughout the United States and Mexico, and two in South America, and it owns and operates many of its own mines, and produces from its five coal mines much of the fuel consumed in its metallurgical operations.

One of the features of this company's operations, namely, its custom business, places it in a particularly sound position with regard to increasing earnings in prosperous times. Its smelting plants purchase ores and concentrates from thousands of producers who have no smelting facilities of their own. Against the value of these ores, the smelting company charges all of its expenses and losses, plus whatever profit the traffic will bear. It is apparent, therefore, that as its custom business increases with the gradual resumption of mining operations throughout the country, its earnings are increasing in proportion, for it is safe to assume that the company is not accepting any custom business at a loss. Again, it derives

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U. S. SILVER PRODUCTION

	Fine Ounces	Commercial Value
1906.....	56,517,000	\$38,286,400
1907.....	56,514,700	37,299,700
1908.....	52,440,800	28,050,000
1909.....	54,721,500	28,455,200
1910.....	57,137,900	30,854,500
1911.....	60,399,400	32,615,700
1912.....	63,766,800	39,187,500
1913.....	66,601,500	40,348,100
1914.....	72,455,100	40,067,700
1915.....	74,961,075	37,307,300
1916.....	74,414,802	44,953,000
1917.....	71,740,368	59,078,100
1918.....	67,810,139	66,455,120
1919.....	66,682,445	63,533,652
1920.....	66,064,507	57,420,325
1921.....	50,364,389	50,304,389

considerable profit from its own carefully selected and developed properties.

The position of the common stock seems such that it may be purchased for the long pull so long as the general trend of the mining industry continues upward.

U. S. Smelting

The second great producer of silver, the United States Smelting, Refining & Mining Co., was incorporated in 1906. Its operations are in general similar to those of the American Smelting & Refining Co., but not on such a large scale, and with the further difference that lead is a more important and copper a less important factor in its production. A dividend of 7% per annum has been paid regularly on the preferred stock since its organization, and the dividend on the common stock has been irregular from year to year, as may be expected on a speculative issue, but the distribution has been substantial in good times. For example, the common dividend was 10% in 1917 and 1918, 10½% in 1919, and 12% in 1920. Earnings during the first half of 1922 indicate a steady improvement.

The price of the preferred stock is approaching par, \$50 a share, therefore yielding slightly more than 7%. This issue

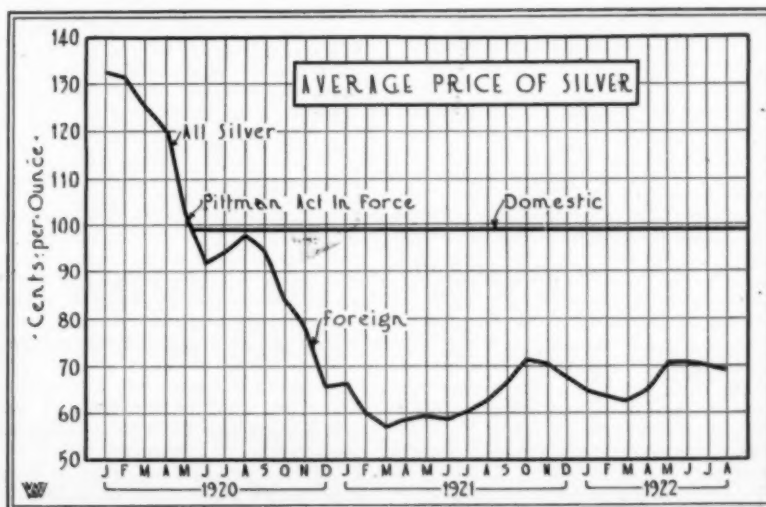
is likely to move a little higher under the pressure of money rates, so long as the smelting business is in a healthy condition, but the interesting speculative opportunities are to be found in the common stock, which sold as high as 78 at the top of the last bull market, thereafter descended to 26, from which low point it has steadily recovered, and has been under accumulation recently between 40 and 45. This issue, as well as American Smelting common, is very attractive for long-pull speculation at around present levels because it has under it the force of improving fundamental conditions.

Anaconda, Cerro de Pasco, and Butte & Superior are affected more particularly by copper market influences, and so far as their market movements are concerned, their by-product silver production is a minor influence. All three of these issues are in a good technical market position and are advancing gradually. Although the long-pull outlook is favorable, and these issues will no doubt advance many points above their present levels, we would call attention to the probability that copper stocks generally have gone a long way toward discounting favorable developments in the immediate future.

Those, however, who are holding such issues for long-pull speculation, and for the dividends that in all probability will be resumed within a reasonable period, may remain confident as the fundamental position of the industry seems strong.

Nipissing

As a great silver-mining company, Nipissing stands in a class by itself, and no doubt will be in operation after the most of the other mines in its neighborhood have been worked out. Nevertheless, Nipissing does not have as large an ore reserve as it maintained formerly, and the time will come possibly within the next two years when it will behoove the owner of these shares to keep pretty well informed on the results of new underground developments.



Investors' Vigilance Committee

Conducted by The Magazine of Wall Street in Cooperation With
the Chambers of Commerce and Other Business Organizations

IN the past fortnight, The Investors' Vigilance Committee has received inquiries from many chambers of commerce and other business organizations and from several hundred individuals. These inquiries related to the activities of various stock-selling organizations and in most cases it was possible to supply the data requested immediately. In other cases, investigations were instituted.

So far, out of the hundreds of stock-selling propositions submitted, not a single meritorious one has been disclosed.

Oil promotions predominate, but the copper mining promoters are getting active. The committee has received advice within the last few days of the preparations that are being made to dispose of prettily printed paper certificates to "investors" who in the past have shown a wonderful appetite for no-account mining stocks. Out in Arizona, the natives are being gulled into subscribing at especially low prices to pre-organization stocks with the promise that as soon as the concerns can be put into shape the post-organization stock will be unloaded on the unwary at two to five times the price at which the pre-organization offering is made. One concern in which several bankrupt bucket-shop operators are interested is said to have raised \$40,000 in central and south Arizona, and the lucky (!) holders believe that the promoters are only waiting for the clearing of the industrial sky to launch a whirlwind selling campaign that will enable the holders of the pre-organization stock to clean up 100 to 200 per cent.

The 1922 Model

This rather new phase of fake stock-selling is just what might be expected from the bucket-shop crew who have transferred their operations from pretended transactions in regular securities to the creation and vending of fraudulent stocks. The ordinary promoter appeals only to the cupidity of those whom he has marked for victims. He dazzles them with stories of the wonderful pot of gold that lies at the foot of the rainbow. He urges them to consider the wonderful profits that are to be realized from an investment in his oil company, or his gold mine, or his puncture-proof, non-skid tire, or from his radio concern, or whatever it is he may be promoting. Having acquired all of the money possible he does a quick fade-out.

But the 1922 model has developed a whole lot of new ideas. The bucket-shop operator, who is so accustomed to lying that he seldom even goes under his right name, knows how rich the returns were last year when in addition to the appeal to the desire of his victims for quick, juicy profits, he also gave them to believe that

he intended to let them in on the ground floor of a pool and would share with them the profits naturally to be made when the stock is unloaded on the guileless. As operated in connection with new promotions it reduces greatly the chance of a "squawk," for the victim places himself in the attitude of having desired to become a partner, to some extent, in an illicit operation. The thinly disguised appeal that is made in these pre-organization efforts is simply this:

"I have a clever scheme for putting it

THE importance of having the Investors' Vigilance Committee pass upon stock-selling schemes has been demonstrated already to the satisfaction of the secretaries of a number of business organizations. Thus far not one of the propositions submitted for report has been found to be worthy. Not all of them were classed as swindles or fake promotions, but even the best of those submitted had little in the way of equities back of the securities or potential earning power.

Bucket shop operators all over the country—driven out of business as a result of the nation-wide exposé of their methods initiated by THE MAGAZINE OF WALL STREET—have entered the fake stock selling field and are applying so many of the tricks of the bucket shopper to their new business that there is double reason for vigilance on the part of the business organizations of the country who are vitally interested in seeing that the funds of their communities are not dissipated. Having learned how easy it is to mulct business men of standing, the bucket shopper is disposed to pass by the small fry and is selecting his victims from among those who can be induced to put thousands instead of tens of dollars into his schemes. The accompanying article describes one of the schemes that is being used in probably hundreds of communities to entrap the smaller business man.

over on the public, but it is going to take more money than I have available. I can't go to a bank to borrow money to put across a deal of this kind and therefore I am willing to let you in on it with me if you will help me out. For every 50 cents you let me have, I will give you a share of \$1 stock as security and guarantee that as soon as it is possible to unload this stock on the public, I will make a market of \$2 or \$3 a share and give you the first opportunity to sell out. To make it easier, I will put the stock in your own name and turn it over to you and call it a sale."

Hard-Headed (?) Business Men

It doesn't seem possible that hard-headed, cold-blooded business men will put thousands of dollars into these pre-organization schemes. But they are doing it and investigating afterwards, as the inquiries to the Investors' Vigilance Committee indicate.

The business organizations that are co-operating with the Investors' Vigilance Committee will advise their members against the danger of listening to any proposal that they go into such projects as these. The promoter is after their money and not after that of the bigger public. Just as the bait of gushing oil wells or mountains of gold and copper are held out for the \$50 or \$100 of the small fry, so in the pre-organization scheme the luring of the small fry is held out as the bait to catch the \$1,000 sucker. The promoter would much rather get \$1,000 from one victim, particularly when the nature of the scheme practically precludes any legal action or complaint by the victim, than to entice \$100 from each of ten victims under lying promises that might make him amenable in a criminal court.

So watch out particularly for this form of swindle, for it is nothing else.

Another interesting appeal that is being made to investors, while not a stock-selling proposition, is nevertheless of interest to the Investors' Vigilance Committee, because it makes a broadside attack on our pocketbooks through newspaper advertising and in various ways endeavors to masquerade as a Government venture.

Many of our readers have probably seen the advertisements headed in big type, "United States Government," announcing the arrival of a special exhibition car on which applications can be filed for Indian Land Equities, on which there are no homestead requirements and no taxes. At the time these advertisements appear in the local newspapers, the handsomely appointed private car is placed on a side track, as conveniently near the business district as possible. Reports of Government reports with the government type faces and forms cleverly followed are distributed. These consist of extracts from weather bureau reports, geological surveys, etc. Even the application, which is merely a multi-worded receipt for whatever money may be extracted, has all the look of a Government document.

This Indian land game is being worked to the Queen's taste all over the country and Charles H. Burke, United States Indian Commissioner, apparently has so many requests for additional data that he has a printed form—No. 3325—so worded that he has only to fill in the name of the

(Continued on page 798)

THE MAGAZINE OF WALL STREET

"I knew him when he was a boy"

What one is there of us that has not felt the glow of satisfaction over the outstanding success of a life-long friend!

Often a surprise—seemingly "all of a sudden." Yet neither surprising nor sudden, when you stop to think back over each step of his progress.



HE United States Rubber Company—makers of U. S. Royal Cords—were first to conceive, make and announce the balanced tire. (A balanced tire is one which from bead to bead has no "weakest link." A tire in which there is such complete unity of action in tread and carcass that neither will give way before the other.)

The makers of U. S. Tires were first to conceive, make and announce a complete line of tires. (This gave to the dealer and car-owner something that never existed before—a tire for every need of price and use under one standard of quality.)

The makers of U. S. Tires were first to have the courage to tell the public about the good and bad in tire-retailing. (You remember the phrase "Go to a legitimate dealer and get a legitimate tire." People can no longer take the indifferent stand that "discounts," "inside terms" and "dickers" are a necessary evil in the tire business.)

The makers of U. S. Tires were first to arouse industrial and trade minds to the need of a new kind of tire competition. (Competition for better and better values. Greater and greater public confidence. The job is still unfinished but present events predict final returns of public benefit.)

* * *

STILL other high spots along the U. S. Tire road to leadership may appeal to you as even more important.

These instances alone at least indicate the intent back of Royal Cords—the will to win by the quality route in a price market.

Now that so many car-owners have given their verdict for quality tires in general, and U. S. Tires in particular—a number of dealers and car-owners whose vision has been clouded by "discounts," "sales," "terms" and what not, are beginning to remember that they "knew him when he was a boy."

**United States Tires
are Good Tires**

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U. S. Tire Co.



U. S. Royal Cord Tires
United States  Rubber Company

Fifty-three
Factories

The Oldest and Largest
Rubber Organization in the World

Two hundred and
thirty-five Branches

Trade Tendencies

Prospects for Fall Trade Bright

Coal and Textile Strikes Ended—Large Potential Demand—Higher Trend in Prices

STEEL

Wages and Prices Up

ACTION of the Steel Corporation, closely followed by the independents, in raising the wages of unskilled labor 20% as of September 1, while surprising as to the time selected and extent of the advance, was not entirely unexpected. In fact, it was intimated in these columns some time ago that a general increase was in prospect. Although no reasons were given for taking such a step just at this time, it is entirely probable that the moving motive is to be found in the condition of the labor market. The steel companies, unable or rather unwilling, to increase wages of their employees earlier in the year because of the depression in the industry, have found themselves at a disadvantage in competing for labor against other concerns and the recent action was undoubtedly taken in self-defense; in other words, to insure an adequate labor supply in a market where scarcity is already being complained of.

The period of low prices for iron and steel would now appear to have definitely passed as costs of production necessitate higher levels. Prices of practically all finished products have risen rapidly since the wage advance was announced, the market having some appearance of confusion. While no definite policy with respect to quotations has yet been given out by the leading interest, it is apparent, as already intimated, that a considerably higher scale will have been established when stability is reached.

Whether the new schedules will permit steel companies to report balances on the right side of the ledger remains to be seen, but the probabilities are that the stronger companies at least will henceforth be enabled to make a much better showing, from the standpoint of profits, when operating conditions are restored to normal. Earnings during the second half year will, of course, reflect the losses sustained by enforced shut-downs following the labor disturbances.

That the steel industry will not recover immediately from the effects of the coal strike is plainly evident and it is doubtful whether operations will again attain the high rate of June during the balance of the year. Although the coal strikes have been settled, it will be some time be-

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922		
	High	Low	Last*
Steel (1).....	\$40.00	\$28.00	\$40.00
Pig Iron (2).....	30.00	17.75	30.00
Copper (3).....	0.14	0.12½	0.14
Petroleum (4).....	3.50	3.00	3.00
Coal (5).....	5.75	1.75	5.37
Cotton (6).....	0.22½	0.17	0.22½
Wheat (7).....	1.40	0.01½	1.03½
Corn (8).....	0.73½	0.47	0.62½
Hogs (9).....	0.10½	0.08	0.08½
Steers (10).....	0.09½	0.08½	0.09
Coffee (11).....	0.11½	0.09½	0.10
Rubber (12).....	0.20½	0.13½	0.13½
Wool (13).....	0.57	0.45	0.54
Tobacco (14).....	0.20	0.18	0.18
Sugar (15).....	0.05½	0.03½	0.06½
Sugar (16).....	0.07	0.04½	0.06½
Paper (17).....	0.04	0.03½	0.04

* Sept. 6.

(1) Open Hearth billets, \$ per ton; (2) Basic Valley, \$ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, \$ per barrel; (5) Pool No. 11, \$ per ton; (6) Spot, New York, c. per pound; (7) No. 3 Red, Chicago, \$ per bushel; (8) No. 3 Yellow, Chicago, \$ per bushel; (9) Light, Chicago, c. per lb.; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cuban 86° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Competition for labor forces higher wages. Prices rising as result of increasing production costs. Fuel situation improving but production likely to increase slowly.

OIL—Crude oil consumption during July established new record. Fuel oil in demand and price firm. Mid-Continent producers attempting to restrict new drilling.

MOTORS—Price cuts stimulate sales. Stronger companies should continue to earn satisfactory profits. Outlook for smaller seasonal decline than usual.

MACHINERY—Large crops at satisfactory prices, combined with accumulated demand beginning to be reflected in increased buying of agricultural machinery. Prices stable.

RUBBER—Price tendency easy. Tire companies unlikely to enter market actively as season of declining production has arrived. Outlook for crude rubber unpromising.

BUILDING—Building permits decline somewhat from peak levels but activity expected to continue at high rate. Shortage of skilled labor.

SUMMARY—With the coal and textile strikes settled and the rail strike near an ending, the interrupted industrial revival should be resumed at an accelerated pace.

fore fuel finds its way to the mills and furnaces in sufficient quantities and meanwhile much depends upon the speed with which the railroads can move production from the mines.

Steel mills generally are well fortified with unfilled orders and in many cases are indisposed to accept new tonnage, the business in hand being sufficient to keep them busy for the remaining months of the year.

BUILDING

Activity Maintained

Although building expenditures for the month of July fell 17% below those for June, the month in which they reached the largest total ever recorded, this decline was largely seasonal and there is no reason to believe that the building boom will shortly terminate. Some further decrease in activity is to be expected when cold weather arrives, but new construction seems likely to be maintained at high levels for several months to come.

Some change in the character of new undertakings is anticipated as the acuteness of the housing shortage is being relieved and the need for business buildings and manufacturing establishments begins to play a more important part. That the demand for residential construction has already reached or even passed its peak in some sections is indicated in reports from several cities that house rents and rates for hotel rooms have been affected by the great volume of new building.

Prices of building materials are steady except in certain instances where the rail and coal strikes have interfered with shipments. Builders in these cases have offered premiums, probably on account of a desire to complete operations for the beginning of the new renting season. While no further general advances seem likely, on the other hand, no immediate decline in material costs would appear to be in prospect so long as the current demand remains unsatisfied.

The labor situation cannot be said to be favorable to interests contemplating new undertakings and there is little to be hoped for in respect to deflation of wages in an industry in which labor is so highly organized. Scarcity of skilled workers has been a hindrance for some time and furthermore the upward tendency of

(Continued on page 803)

THE MAGAZINE OF WALL STREET

ALBERT D. BROKAW
A. FAISON DIXON
A. H. GARNER
H. HARPER MCKEE

BROKAW, DIXON, GARNER & MCKEE
GEOLOGISTS AND PETROLEUM ENGINEERS
120 BROADWAY, NEW YORK

Gillette Safety Razor Company,
172 Broadway,
New York City.

January 27th, 1922.

Dear Sirs:

On the frontier of Burmah, in the Andes Mountains, in Mexico and other out-of-the-way places where my work has taken me, my Gillette has been with me. I thought of it as the end-point in the evolution of shaving implements, perfect and complete. A re-fill of blades could always be had in all countries, even in the smallest and most out-of-the-way trading posts. Everything else varied from place to place but the Gillette was universal, standard not to be improved upon.

I have tried the New Improved Gillette. The old style now seems like the primitive progenitor before the final form had been evolved.

I congratulate you. You have given us something even better than what we have thought was perfect.

Very truly yours

A. Faison Dixon

AFD:EK

Perhaps the highest tribute
to the *New Improved Gillette*
is the commendation of thousands
of men who have followed *every step*
in Gillette development for 20 years

*The New
Improved*


Gillette
SAFETY RAZOR

Odd Lots

Trading in odd lots of listed securities offers diversification and safety to both the large and small investor.

We have prepared a new interesting booklet which explains the many advantages offered by odd lot trading on the New York Stock Exchange.

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Special Circular on

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TOBACCO**

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New York Stock Exchange

	Pre-War Period		War Period		Post-War Period		Last Sale	Div'd \$ per Share		
	1909-13		1914-18		1919-21					
	High	Low	High	Low	High	Low				
RAILS:										
Atchafalpa	125 3/4	90 3/4	111 1/4	75	104	76	105	91 3/4	103 3/4	6
Do. Pfd.	106 3/4	96	102 3/4	75	89	72	93 3/4	85	129 3/4	5
Atlantic Coast Line	148 3/4	102 3/4	128	79 3/4	107	77	119	83	118 3/4	7
Baltimore & Ohio	122 3/4	90 3/4	96	88 1/4	55 1/4	27 3/4	60 3/4	33 3/4	58 3/4	..
Do. Pfd.	96	77 3/4	80	48 3/4	59 1/4	28 3/4	66 3/4	52 3/4	65 3/4	4
Canadian Pacific	283	165	220 3/4	126	170 3/4	101	151 3/4	119 3/4	147 3/4	10
Chesapeake & Ohio	92	81 1/4	71	35 3/4	70 3/4	46	79	54	73 3/4	..
Chicago Great Western	36 3/4	1 3/4	17 1/4	6	14	6 3/4	10 3/4	5 3/4	7 3/4	..
Do. Pfd.	165 3/4	96 3/4	107 3/4	35	82 3/4	13	36 3/4	16 3/4	113	..
C. M. & St. Paul	181	120 3/4	143	62 3/4	76	29 3/4	55	29	62	..
Do. Pfd.	181	120 3/4	143	62 3/4	76	29 3/4	55	29	62	..
Chicago & Northwestern	198 3/4	123	136 3/4	85	105	60	94 3/4	59	93 3/4	5
Chicago, R. I. & Pacific	..	..	45 3/4	16	41	22 3/4	49 3/4	30 3/4	48	..
Do. 7% Pfd.	..	..	94 3/4	44	89 3/4	64	98 3/4	83 3/4	98	7
Do. 6% Pfd.	..	..	80	35 3/4	77	54	87	70 3/4	86 3/4	..
Cleveland C. C. & St. L.	92 3/4	34 3/4	62 3/4	21	61	31 3/4	79 3/4	54	77 3/4	2
Delaware & Hudson	200	147 3/4	169 3/4	87	116	83 3/4	131	106 3/4	138 3/4	6
Delaware, Lack. & W.	340	192 3/4	242	160	200 3/4	93	134 3/4	110 3/4	138 3/4	..
Erie	61 3/4	33 3/4	59 3/4	18 3/4	21 3/4	9 3/4	18 3/4	7	15 3/4	..
Do. 1st Pfd.	49 3/4	26 3/4	54 3/4	15 3/4	33	15	23 3/4	11 3/4	25 3/4	..
Do. 2nd Pfd.	89 3/4	19 3/4	45 3/4	13 3/4	23 3/4	10	20 3/4	7 3/4	18 3/4	..
Great Northern Pfd.	157 3/4	115 3/4	134 3/4	79 3/4	100 3/4	60	95 3/4	70 3/4	94 3/4	7
Illinois Central	102 3/4	102 3/4	115	85 3/4	104	80 3/4	113	97 3/4	111	7
Kansas City Southern	50 3/4	21 3/4	35 3/4	13 3/4	28 3/4	13	30 3/4	22	25 3/4	..
Do. Pfd.	75 3/4	56	58 3/4	40	87	40	59 3/4	52 3/4	69 3/4	4
Lehigh Valley	121 3/4	62 3/4	87 3/4	50 3/4	60 3/4	39 3/4	70 3/4	56 3/4	69 3/4	3 1/2
Louisville & Nashville	170	121	141 3/4	103	122 3/4	84	140 3/4	108	139 3/4	7
Minn. & St. Louis	65	*12	36	6 3/4	24 3/4	5 3/4	14 3/4	5	9 3/4	..
Mo., Kansas & Texas	81 3/4	17 3/4	24	3 3/4	18 3/4	3	14	3 3/4	..	..
Do. Pfd.	75 3/4	46	60	6 3/4	25 3/4	3	14 3/4	1 3/4	*113	..
Mo. Pacific	*77 3/4	*21 3/4	38 3/4	19 3/4	30 3/4	11 3/4	25 3/4	16	22 3/4	..
Do. Pfd.	..	..	64 3/4	37 3/4	58 3/4	33 3/4	61 3/4	43 3/4	58 3/4	..
N. Y. Central	147 3/4	90 3/4	114 3/4	62 3/4	85	34 3/4	100 3/4	72 3/4	87 3/4	5
N. Y., Chicago & St. Louis	109 3/4	90	80 3/4	39	65	23 3/4	31	51 3/4	94 3/4	6
N. Y., N. H. & Hartford	17 3/4	68 3/4	89	21 3/4	40 3/4	16	35 3/4	12 3/4	39 3/4	..
N. Y., Ont. & W.	55 3/4	25 3/4	35	17	27 3/4	16	30 3/4	12 3/4	130 3/4	2
Norfolk & Western	119 3/4	84 3/4	147 3/4	92 3/4	112 3/4	84 3/4	123 3/4	96 3/4	123 3/4	7
Northern Pacific	159 3/4	101 3/4	118 3/4	75	99 3/4	61 3/4	90 3/4	73 3/4	88 3/4	..
Pennsylvania	75 3/4	53	61 3/4	40 3/4	48 3/4	32 3/4	47 3/4	33 3/4	40 3/4	2
Pere Marquette	36 3/4	*15	38 3/4	9 3/4	33 3/4	13 3/4	40 3/4	19	38	..
Pitts. & W. Va.	..	..	40 3/4	17 3/4	44 3/4	21 3/4	41 3/4	23	40	..
Reading	89 3/4	59	115 3/4	60	108	60 3/4	82 3/4	71 3/4	79 3/4	4
Do. 1st Pfd.	46 3/4	41 3/4	52	34	61	32 3/4	57 3/4	43	152	..
Do. 2nd Pfd.	58 3/4	42	52	33 3/4	49	33 3/4	49	45 3/4	53	..
St. Louis-San Francisco	*74	*13	50 3/4	21	38 3/4	10 3/4	32 3/4	20 3/4	29 3/4	..
St. Louis Southwestern	40 3/4	18 3/4	32 3/4	11	40	10 3/4	36	20 3/4	29 3/4	..
Do. Pfd.	82 3/4	47 3/4	65 3/4	28	49 3/4	20 3/4	52 3/4	32 3/4	50 3/4	..
Southern Pacific	139 3/4	83	110	75 3/4	118 3/4	67 3/4	95 3/4	78 3/4	94	0
Southern Ry.	84	18	36 3/4	12 3/4	33 3/4	17 3/4	28 3/4	17 3/4	27 3/4	..
Do. Pfd.	86 3/4	43	85 3/4	42	72 3/4	42	64 3/4	45 3/4	63 3/4	..
Texas Pacific	40 3/4	10 3/4	10 3/4	6 3/4	14	36	24	32 3/4	34 3/4	..
Union Pacific	118 3/4	137 3/4	164 3/4	101 3/4	138 3/4	110	152 3/4	125	149 3/4	10
Do. Pfd.	118 3/4	79 3/4	86	69	74 3/4	61 3/4	80	71 3/4	79 3/4	..
Wabash	*27 3/4	*2	17 3/4	7	13 3/4	6 3/4	14 3/4	6	12 3/4	..
Do. Pfd. A.	*61 3/4	*6 3/4	30 3/4	30 3/4	38	17	38 3/4	19 3/4	123 3/4	..
Do. Pfd. B.	..	..	32 3/4	18	25 3/4	12 3/4	24 3/4	12 3/4	122	..
Western Maryland	*56	*40	23	9 3/4	15 3/4	8 3/4	17 3/4	8 3/4	15 3/4	..
Western Pacific	..	..	25 3/4	11	40	15	24 3/4	13 3/4	19 3/4	..
Do. Pfd.	..	..	64	35	78	81 3/4	68 3/4	81 3/4	63	6
Wheeling & Lake Erie	*12 3/4	*2 3/4	27 3/4	8	18 3/4	6 3/4	16 3/4	6	13 3/4	..
INDUSTRIALS:										
Allied Chem.	..	..	..	62 3/4	34	91 3/4	55 3/4	89	4	..
Do. Pfd.	..	..	..	103 3/4	83	115	101	115	..	..
Allis Chalmers	10	7 3/4	49 3/4	6	53 3/4	26 3/4	69 3/4	37 3/4	..	..
Do. Pfd.	43	40	92	32 3/4	97	67 3/4	101	85 3/4	101	7
Am. Agr. Chem.	63 3/4	33 3/4	106	47 3/4	113 3/4	20 3/4	43 3/4	29 3/4	40	..
Do. Pfd.	105	90	103 3/4	80 3/4	105	51	71	65 3/4	70 3/4	..
Am. Beet Sugar	77	19 3/4	108 3/4	19	108 3/4	29 3/4	49	31 3/4	40 3/4	..
Am. Bosch Mag.	..	..	87 3/4	68 3/4	19 3/4	21 3/4	63 3/4	35 3/4	43	..
Am. Can.	47 3/4	98	114 3/4	80	107 3/4	72	110 3/4	93 3/4	109 3/4	..
Do. Pfd.	129 3/4	70 3/4	98	40	151 3/4	84 3/4	189	141	188 3/4	12
Am. Car & Fdy.	124 3/4	107 3/4	119 3/4	100	119	105 3/4	125	115 3/4	127 3/4	..
Do. Pfd.	79 3/4	33 3/4	64	21	67 3/4	15 3/4	30 3/4	10 3/4	12 3/4	..
Am. Cotton Oil	107 3/4	91	102 3/4	78	93	55 3/4	61	41	35 3/4	..
Do. Pfd.	..	..	..	13 3/4	..	..	..	..	..	..
Am. Drug Synd.	10	8	22 3/4	2 3/4	43 3/4	5	17 3/4	12	114	..
Am. Hide & L.	81 3/4	15 3/4	94 3/4	10	142 3/4	35	74 3/4	58	71 3/4	..
Do. Pfd.	..	..	49	8 3/4	83 3/4	37	119 3/4	78	121	7
Am. Ice	..	..	62 3/4	12	132 3/4	21 3/4	50 3/4	33	34 3/4	..
Am. International	..	..	47 3/4	20	95	17 3/4	40 3/4	29 3/4	35 3/4	..
Am. Linseed	20	19	98 3/4	45 3/4	117 3/4	58	123 3/4	102	128 3/4	..
Am. Loco.	74 3/4	19	98 3/4	45 3/4	117 3/4	58	123 3/4	102	128 3/4	..
Do. Pfd.	122	75	109	93	115	96 3/4	180 3/4	112	115 3/4	7
Am. Safety Razor	..	..	..	..	..	..	..	..	..	..
Am. Ship & Com.	105 3/4	80 3/4	123 3/4	80 3/4	89 3/4	29 3/4	67 3/4	43 3/4	64 3/4	..
Am. Smelt. & Ref.	116 3/4	98 3/4	118 3/4	97	109 3/4	63 3/4	102 3/4	86 3/4	102 3/4	7
Do. Pfd.	74 3/4	24 3/4	95	44	50	18	42 3/4	30 3/4	48 3/4	..
Am. Steel Fdy.	..	..	..	..	..	..	..	..	..	..
Do. Pfd.	136 3/4	99 3/4	128 3/4	89 3/4	148 3/4	47 3/4	85 3/4	61 3/4	110 3/4	7
Am. Sugar	133 3/4	110	123 3/4	106	119	67 3/4	112	84	110	7
Do. Pfd.	..	..	145 3/4	15	120 3/4	28 3/4	47	23 3/4	36 3/4	..
Am. Sumatra Tob.	..	..	103	75	105	64 3/4	71	52 3/4	..	..
Do. Pfd.	158 3/4	101	124 3/4	90 3/4	111 3/4	92	124 3/4	114 3/4	126 3/4	..
Am. Tel. & Tel.	*163 3/4	209	266	123	214 3/4	104 3/4	169 3/4	129 3/4	167 3/4	18
Am. Tobacco	*930	209	266	123	214 3/4	104 3/4	169 3/4	129 3/4	167 3/4	18
Do. B.	..	..	..	..	..	..	..	..	..	..
Am. Woolen	40 3/4	15	60 3/4	12	169 3/4	55 3/4	101 3/4	78 3/4	101 3/4	7
Do. Pfd.	107 3/4	74	102	72 3/4	110 3/4	88 3/4	109	102 3/4	31	7
Anaconda	54 3/4	27 3/4	105 3/4	24 3/4	77 3/4	30	87	47	85 3/4	..
At. Gulf & W. I.	13	8	147 3/4	4 3/4	192 3/4	18	49 3/4	23 3/4	30	..
Do. Pfd.	32	10	74 3/4	9 3/4	76 3/4	15 3/4	31 3/4	16 3/4	121 3/4	..
Baldwin Loco.	60 3/4	36 3/4	154 3/4	26 3/4	156 3/4	92	112	104	113 3/4	7
Do. Pfd.	107 3/4	100 3/4	114 3/4	69 3/4	112	41 3/4	82 3/4	55 3/4	78 3/4	5
Bethle. Steel B.	*81 3/4	47	188	68	108	87	105	90 3/4	110 3/4	7
Do. 7% Pfd.	..	..	110 3/4	92 3/4	116	90	116 3/4	104	115	8
Do. 8% Pfd.	..	..	80	30	87 3/4	48 3/4	83 3/4	68	80 3/4	..
Calif. Packing	..	..	..	..	..	..	..	..	..	..
Calif. Petro.	72 3/4	10	42 3/4	8	56 3/4	18 3/4	43 3/4	34 3/4	64 3/4	..

THE MAGAZINE OF WALL STREET

Price Range of Active Stocks

	Pre-War Period		War Period		Post-War Period		1922		Last Sale Sept. 7	Div'd \$ per Share
	1909-13		1914-18		1919-21		1922			
	High	Low	High	Low	High	Low	High	Low		
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	85 1/4	45	81	20 1/4	88	63	98 1/4	83	95	7
Central Leather	81 1/4	16 1/4	123	25 1/4	116 1/4	22 1/4	42 1/4	29 1/4	40 1/4	..
Do. Pfd.	111	80	117 1/4	94 1/4	114	57 1/4	70 1/4	63 1/4	78 1/4	..
Cerro de Pasco	..	..	88	25	87 1/4	23	41 1/4	32 1/4	41	..
Chandler Mot.	..	..	100 1/4	80	141 1/4	38 1/4	79 1/4	47 1/4	62	6
Chile Copper	..	..	89 1/4	11 1/4	29 1/4	7 1/4	23 1/4	15 1/4	22 1/4	..
Chino Copper	50 1/4	6	74	31 1/4	80 1/4	16 1/4	33 1/4	25 1/4	30 1/4	..
Coca Cola	..	..	..	..	43 1/4	18	74 1/4	41	69 1/4	4
Colum. Gas & E.	..	..	84 1/4	14 1/4	69	39 1/4	100	64 1/4	105	6
Columbia Graph.	..	..	*166	*97	75 1/4	2 1/4	5 1/4	1 1/4	3 1/4	..
Consol. Cigar	..	..	..	..	80	13 1/4	39 1/4	18 1/4	34	..
Consol. Gas	185 1/4	114 1/4	130 1/4	112 1/4	106 1/4	71 1/4	141 1/4	85	144	6
Corn Prod.	98 1/4	7 1/4	80 1/4	7	105 1/4	46	120 1/4	91 1/4	115 1/4	6
Do. Pfd.	98 1/4	61	118 1/4	58 1/4	112	96	120	111	119	7
Cruible Steel	19 1/4	6 1/4	109 1/4	12 1/4	278 1/4	49	98 1/4	52 1/4	97 1/4	..
Cuba Cane Sugar	..	..	76 1/4	24 1/4	59 1/4	5 1/4	19 1/4	8 1/4	14 1/4	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10 1/4	28	14 1/4	26 1/4	..
Fish Rubber	..	..	..	..	55	8 1/4	19 1/4	11 1/4	12	..
Freight Tex.	..	..	70 1/4	25 1/4	84 1/4	9 1/4	20 1/4	12 1/4	23 1/4	..
Gen'l Asphalt	42 1/4	15 1/4	39 1/4	14 1/4	160	32 1/4	73 1/4	55 1/4	63 1/4	..
Gen'l Electric	188 1/4	129 1/4	187 1/4	119	176	169 1/4	188 1/4	136	178	8
Gen'l Motors	761 1/4	25	*850	*74 1/4	93	63	85 1/4	69	84 1/4	6
Do. 6% Pfd.	..	..	..	..	94 1/4	60	86	67 1/4	84 1/4	..
Do. 6% Deb.	..	..	..	..	94	69	100	70 1/4	80 1/4	7
Do. 7% Deb.	..	..	..	..	94	69	100	70 1/4	80 1/4	7
Goodrich	86 1/4	18 1/4	80 1/4	19 1/4	93 1/4	26 1/4	44 1/4	32 1/4	34 1/4	..
Do. Pfd.	109 1/4	73 1/4	116 1/4	79 1/4	109 1/4	62 1/4	91	80 1/4	285 1/4	7
Gt. Nor. Ore.	88 1/4	25 1/4	80 1/4	22 1/4	62 1/4	24 1/4	45 1/4	31 1/4	40	4
Houston Oil	25 1/4	8 1/4	86	10	116 1/4	40 1/4	85	76	82	..
Hudson Motors	..	..	..	..	..	..	..	..	..	..
Hup Motors	..	..	11 1/4	8 1/4	22 1/4	4 1/4	21 1/4	19 1/4	21 1/4	1
Inspiration	21 1/4	13 1/4	74 1/4	14 1/4	68 1/4	28	45	37 1/4	42	..
Inter. Mer. Marine	9	2 1/4	50 1/4	3 1/4	67 1/4	7 1/4	27 1/4	13	14	..
Do. Pfd.	27 1/4	12 1/4	125 1/4	8	128 1/4	36	87 1/4	63 1/4	87	6
Inter. Nickel	*227 1/4	*136	87 1/4	24 1/4	33 1/4	11 1/4	19 1/4	11 1/4	17 1/4	..
Inter. Paper	19 1/4	6 1/4	75 1/4	9 1/4	91 1/4	30 1/4	60 1/4	48 1/4	59 1/4	..
Invincible Oil	..	..	..	..	47 1/4	5 1/4	20 1/4	12 1/4	14 1/4	..
Island Oil	..	..	..	..	7 1/4	3	8	3 1/4	4 1/4	..
Kelly Springfield	..	..	85 1/4	30 1/4	164	25 1/4	63 1/4	34 1/4	42 1/4	..
Do. 5% Pfd.	..	..	101 1/4	73	110 1/4	70 1/4	107 1/4	95 1/4	102	8
Kennecott	..	..	64 1/4	25	43	14 1/4	39 1/4	20 1/4	37 1/4	..
Keystone Tire	..	..	46 1/4	11	126 1/4	8 1/4	24 1/4	8	8	..
Lackawanna Steel	55 1/4	28	107	20 1/4	107 1/4	32	81 1/4	44	79	..
Loews, Inc.	..	..	..	..	38 1/4	10	20 1/4	11	19 1/4	..
Left, Inc.	..	..	..	..	28	7 1/4	14 1/4	9	12 1/4	1
Mexican Pet.	90 1/4	41 1/4	129 1/4	46 1/4	264	84 1/4	204 1/4	106 1/4	190	12
Miami Copper	30 1/4	12 1/4	49 1/4	16 1/4	32 1/4	14 1/4	31 1/4	24 1/4	30	2
Middle States Oil	..	..	..	..	71 1/4	10	16	11 1/4	13 1/4	1.20
Midvale Steel	..	..	98 1/4	89 1/4	62 1/4	22	45 1/4	27 1/4	34 1/4	..
Nat'l Lead	91	42 1/4	74 1/4	44	94 1/4	63 1/4	110 1/4	85	107 1/4	6
N. Y. Air Brake	98	45	136	55 1/4	145 1/4	47 1/4	82 1/4	57	76	..
N. Y. Dock	40 1/4	8	27	9 1/4	70 1/4	16 1/4	46	28	35	2 1/4
North American	*87 1/4	*60	*81	*38 1/4	46	32 1/4	98	44 1/4	91 1/4	5
Do. Pfd.	..	..	..	..	41 1/4	31 1/4	47 1/4	38	46 1/4	3
Pacific Oil	..	..	..	..	60 1/4	27 1/4	89 1/4	44 1/4	57 1/4	3
Pan. Amer. Pet.	..	..	70 1/4	35	140 1/4	38 1/4	86 1/4	48 1/4	50 1/4	6
Do. B.	..	..	..	..	111 1/4	34 1/4	82 1/4	34	76 1/4	6
Philadelphia Co.	89 1/4	37	48 1/4	21 1/4	48	26 1/4	45 1/4	31 1/4	44 1/4	2
Phillips Pet.	..	..	..	..	44 1/4	16	59 1/4	28 1/4	53 1/4	2
Pierce Arrow	..	..	65	25	90	9 1/4	24 1/4	8	12	..
Do. Pfd.	..	..	109	88	111	21	40	18 1/4	38 1/4	..
Pittsburgh Coal	*89 1/4	*10	88 1/4	37 1/4	74 1/4	45	71 1/4	55 1/4	71 1/4	5
Pressed Steel Car	56	18 1/4	88 1/4	17 1/4	113 1/4	48	87	63	87	..
Do. Pfd.	115	88 1/4	109 1/4	69	108	83	101	91	1100	7
Pure Oil	..	..	81	29	120	24 1/4	83 1/4	30 1/4	49	..
Ry. Steel Spg.	84 1/4	22 1/4	78 1/4	19	107 1/4	67	119 1/4	94	116 1/4	2
Do. Pfd.	113 1/4	90 1/4	105 1/4	75	112	92 1/4	115 1/4	108 1/4	112	7
Ray Cons. Cop.	27 1/4	7 1/4	37	15	27 1/4	10	19	13 1/4	16 1/4	..
Repligate Steel	..	..	..	..	93 1/4	18	41	25 1/4	33	..
Republic I. & S.	49 1/4	18 1/4	98	18	145	41 1/4	78 1/4	46 1/4	71 1/4	..
Do. Pfd.	111 1/4	64 1/4	112 1/4	72	106 1/4	75 1/4	95 1/4	74	103 1/4	..
Republic Motors	..	..	77	81	74 1/4	5	14 1/4	2 1/4	3 1/4	..
Royal Dutch N. Y.	..	..	86	66	123 1/4	40 1/4	67	47 1/4	68 1/4	3 3/4
Shell T. & T.	..	..	..	..	30 1/4	30 1/4	48 1/4	35 1/4	45 1/4	8 3/4
Simclair Con. Oil	..	..	67 1/4	25 1/4	64 1/4	16 1/4	38 1/4	18 1/4	33 1/4	..
Sloss Shef. Steel	94 1/4	23	93 1/4	19 1/4	89	32 1/4	64 1/4	34 1/4	49	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124 1/4	108 1/4	169	182 1/4	5
Do. Pfd.	..	..	..	..	114 1/4	100 1/4	118 1/4	113 1/4	117 1/4	7
Stromberg Carb.	..	..	45 1/4	21	118 1/4	22 1/4	59 1/4	35 1/4	56 1/4	4
Studebaker	49 1/4	16 1/4	195	20	161	37 1/4	139 1/4	78 1/4	132 1/4	10
Do. Pfd.	98 1/4	64 1/4	119 1/4	70	104 1/4	76	118	100	115	7
Superior Steel	..	..	94	30 1/4	60	26	39 1/4	26	33	..
Tenn. Cop. & Chem.	..	..	21	11	17 1/4	6 1/4	12 1/4	9 1/4	10 1/4	..
Texaco Rubber	144	74 1/4	213	112	87 1/4	29	50 1/4	42	48 1/4	3
Tex. Pac. C. & O.	..	..	..	..	195	16 1/4	32 1/4	23	26	1
Tobacco Prod.	143	100	82 1/4	25	115	45	84 1/4	82 1/4	57 1/4	6
Transcont. Oil	..	..	..	..	62 1/4	5 1/4	20 1/4	7 1/4	15	..
United Fruit	208 1/4	126 1/4	173	105	224 1/4	96 1/4	185 1/4	119 1/4	152 1/4	8
Un. Retail Stores	..	..	..	..	119 1/4	45 1/4	84	43 1/4	84	..
U. S. Food Prod.	41 1/4	24	171 1/4	8 1/4	91 1/4	8 1/4	10 1/4	2 1/4	6 1/4	..
U. S. Ind. Alco.	87 1/4	27	80 1/4	44	143 1/4	40 1/4	67 1/4	37	64 1/4	..
U. S. Rubber	89 1/4	27	80 1/4	44	143 1/4	40 1/4	67 1/4	37	64 1/4	..
Do. Pfd.	123 1/4	98	115 1/4	91	119 1/4	74	107	90	74 1/4	8
U. S. Smelt. & R.	59	30 1/4	81 1/4	20	78 1/4	26	43 1/4	32 1/4	42	..
U. S. Steel	91 1/4	41 1/4	126 1/4	38	115 1/4	70 1/4	105 1/4	52	10 1/4	5
Do. Pfd.	131	102 1/4	123	102	117 1/4	104 1/4	122	114 1/4	12 1/4	7
Utah Copper	67 1/4	58	130	48 1/4	97 1/4	41 1/4	71 1/4	60 1/4	70	2
Vanadium	..	..	..	..	87	25 1/4	53 1/4	30 1/4	47 1/4	..
Vt. Caro. Ch.	70 1/4	28	69 1/4	15	92 1/4	20 1/4	36 1/4	25 1/4	27 1/4	..
Do. Pfd.	129 1/4	62	115 1/4	80	115 1/4	67 1/4	82	58	296	..
Western Union	86 1/4	56	105 1/4	53 1/4	94	76	121 1/4	89	110 1/4	7
Westinghouse Mfg.	45	24 1/4	74 1/4	32	80 1/4	37 1/4	65 1/4	49 1/4	63 1/4	4
White Motors	..	..	60	30	86	29 1/4	51 1/4	3 1/4	49	4
Willis Overland	*75	*50	*325	15	40 1/4	4 1/4	10	4 1/4	7 1/4	..
Wilson Co.	..	..	84 1/4	42	101 1/4	27 1/4	49 1/4	27 1/4	4 1/4	..
Woolworth	177 1/4	76 1/4	151	61 1/4	139 1/4	100	134	137	118 1/4	8

* Old stock. † Bid price given where no sales made.

for SEPTEMBER 16, 1922

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INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 765)

farms, forests, mines and manufactured goods. The stock is very speculative, but we think well of it as a speculation, if held from the long-pull standpoint, though it may not show any material advance for the time being.

H. H. FRANKLIN MFG. CO. Uncertain Market

I have been contemplating buying the preferred and common stock which the H. H. Franklin Mfg. Co. is offering. Do you consider these stocks good? I am told the company is very successful and it seems to me these stocks, in that case, should be a good investment. However, I will do nothing until I hear from you and get your opinion.—C. L. A., Lynn, Mass.

We consider the H. H. Franklin Mfg. Co. 7% preferred stock a good business man's investment. The common is speculative. The company is well established, well managed and has been able to secure its share of the business in the past. However, the main trouble in connection with these stocks is their restricted market. They are not listed and are not as readily saleable as in the case of stocks of companies having an established market by reason of being listed on the stock exchanges.

TOLEDO, ST. LOUIS & WESTERN Certificates in Good Position

Would you kindly give me the particulars in regard to the settlement of the bond suit whereby the collateral trust "A" and "B" bonds of the Toledo, St. Louis & Western issued in payment for Chicago & Alton stock were cancelled and how this affected the Toledo, St. Louis & Western certificates of deposit for common and preferred stock? How do you regard them at the present time?—L. K., New Haven, Conn.

On October 31, 1921, a settlement was announced of the suit brought several years before attacking the validity of the \$11,527,000 collateral trust "A" and "B" bonds issued by the company in payment for the controlling stock of Chicago & Alton R. R. acquired in 1907. The settlement, approved by Federal District Court for Northern District of Ohio, provided for the cancellation of all the "A" and "B" bonds outstanding, together with interest coupons, amounting in all to about \$16,000,000, the holders taking back all the Chicago & Alton stock pledged thereunder and receiving a cash payment of \$1,300,000. The stockholders' committee also agreed to turn over to the bondholders' committee 10% of the common and preferred stock of the Toledo, St. Louis & Western R. R.

In connection with the settlement with "A" and "B" bondholders, whereby latter get 10% of the company's stock, the company, on November 2, 1921, informed depositors of stock that in return for their contribution toward the settlement they would receive scrip on basis of \$70 a share pfd. and \$30 a share common. Net amount of scrip to be received by the stockholders was \$63 a share on pfd. and \$27 on common, as payment was prorated and distributed among holders of stock contributed by stockholders' committee.

More than 95% of both classes of T. St. L. & W. stock had been deposited with the protective committee.

The cancelling of these bonds has cut down the fixed charges of the company and as earnings are showing up well dividends on the preferred "B" certificates look fairly close. For the four months ended April 30, 1922, net earnings were \$702,890, as compared with \$136,440 for the same period of 1921.

Regard the certificates as having attractive speculative possibilities.

AMERICAN ZINC

Operations Now Profitable

I have noticed the advance in the price of zinc metal and am considering the purchase of 100 shares of American Zinc preferred stock. Before doing so desire to get a little information about the company and your opinion as to the desirability of the purchase.—D. H. L., Titusville, Pa.

American Zinc, Lead & Smelting appears to have definitely turned the corner as regards earnings. For the first quarter of 1922 the company operated at a profit of \$50,152 and profit in the second quarter was \$110,515, making the total for the half year \$160,667. This compares with a deficit of \$126,913 for first six months of 1921. With zinc metal higher in price and likely to continue so, because of the small surplus on hand, still better results are looked for in the final six months. There is a very good prospect that the \$6 dividend on the preferred will be earned this year. American Zinc is in good financial condition with a working capital of \$2,400,000. Accumulated dividends on the preferred now total 10½%. Earnings to date have not been large enough to warrant immediate resumption of dividends but with the outlook decidedly encouraging the preferred stock at present price of 46 can be regarded as an attractive long pull speculation.

NORFOLK & WESTERN RY. Good Railroad Stock

I see Norfolk & Western stock has had quite an advance. I bought 100 shares at 106 and have been wondering if now is the time to take profits. Would you recommend it to be sold?—G. A. R., Richmond, Va.

In our opinion, N. & W. is one of the most desirable of the railroad common stocks. There is outstanding \$130,764,400 in bonds; \$22,992,300 of 4% non-cumulative preferred and \$121,519,700 common, dividends of 7% being paid on the junior stock. In 1921, which was a very adverse year for all lines of business, and especially for the railroads, the N. & W. earned 7.51% on its stock, and the balance sheet at the end of the year showed a working capital of \$30,000,000. For the first six months of the current year, the net operating income amounted to \$13,574,542 as against \$4,367,386 for the first half of 1921. Of course, the road has been benefiting from increased coal shipments due to closing of union mines; but when mining in other fields is resumed, it will con-

tinue to show high earnings. The company owns the Pocahontas Coal & Coke Co., who own very extensive areas of coal lands in West Virginia, and it has been rumored from time to time that the railway would distribute its coal and mineral holdings to its stockholders. The road is the largest carrier of soft coal in the country, and is being very greatly benefited not only from the high prices for coal, through its coal subsidiary, but the comparatively high freight rates thereon. We do not consider the present price of the stock discounts its actual value and recommend it be held.

WESTERN MARYLAND RAILROAD

(Continued from page 755)

months totaled \$1,822,559. Now that mining operations have been resumed the road showed a very prosperous four months, as production will probably be pushed to the limit to make up for the shortage which is almost certain to exist this winter. As to the long pull outlook with more economical operation than even possible as a result of the affiliation with Wheeling & L. Erie and operating expenses now pretty well on hand, the road should be able to reach the benefits of the large increase of traffic and have little difficulty in taking care of its fixed charges.

The first mortgage 4% bonds are now selling around 68 $\frac{1}{4}$, at which price they yield over 6.4% to maturity. There are few railroad bonds as close to the property with as good prospects for sufficient earnings to cover fixed charges selling on such a high yield basis. It is an excellent speculative investment for investors who are seeking a good return with possibilities for substantial profit.

Possibilities in Preferred and Common

As far as the speculative possibilities in the securities of the road goes, there is a very strong likelihood of the first preferred going on a dividend-paying basis within the next year, if the disturbing elements in the railroad industry are weeded out. Annual requirements on this issue amount to over \$1,200,000. Dividend or no dividend, however, if earnings of the road come up to expectations this fall there is bound to be a large speculative play in all classes of the road's securities. There is about 25% of accumulated dividends on this issue, which adds considerably to its speculative possibilities with earnings running at the rate of over \$9.00 a share on the stock. This stock is very closely held by Rockefeller interests.

This leaves but the second preferred and common for speculation. The former has merits as a long-pull speculation, in view of the improved status and earning power of the road, but the large accumulation of dividends on the first preferred precludes any dividend possibilities for years to come.

The common stock, while very likely to work higher in sympathy with the senior securities, is highly speculative and has little intrinsic value at this time.

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Current Bond Offerings

THE dullness which had characterized the bond financing market in previous periods gave way to renewed activity in the fortnight just ended. Although the movement did not rise to unusual proportions, it went far enough to presage gradually increasing activity developing into a substantial movement in the mid-fall.

The market's outstanding feature was the continued diminishment of municipal offers. About the only large offerings in this non-taxable field were a 5-million road bond issue by the State of Missouri and a hospital and park issue in Hudson Co., N. J., for \$1,050,000. The Missouri security was offered on a 4.10% basis. As stated before in this column, the reduced tax-exempt financing of late has led to a state bordering upon exhaustion in the available supply, and this condition is likely to contribute to a very ready market for later issues of the sort.

Industrial companies, whose ability to finance themselves after the post-war smash-up was severely restricted, if not entirely prohibited, are being more successful under present conditions, and several important industrial offerings were made and absorbed during the

financed itself on a 6% basis; a silk manufacturing company on a 7% basis; a coal corporation on a 7.25% basis and a steel company on a 7.50% basis. Under pre-war conditions, these might have been considered prohibitive rates. In the light of conditions existing since, however, they reflect a considerable improvement in industrial credit. Industrial financing of any sort was not encouraged this time a year ago.

One commentator, in close touch with the new financing market, predicts an early resumption of foreign government financing in this market. When it is considered that the only foreign issue recorded in the last two weeks was a tiny issue (\$50,000) by the Province of Ontario, it can be seen what a change a new wave of financing of this class would mean. The movement, it is understood, will be led off by a 200-million dollar issue by the Argentine Government, to be offered on a 6½% basis by an important banking syndicate.

If foreign financing is actually resumed, observers will watch the result with keen interest. Successful flotations would undoubtedly have a beneficial effect on the many existing foreign issues, which are yielding higher rates than any other single bond class.

NEW BOND OFFERINGS

STATE AND MUNICIPAL

	Amount	Yield Off'd (%)
State of Missouri...	\$5,000,000	4.10
State of N. Carolina...	1,800,000	4.30
Hudson Co., N. J....	1,050,000	4.15-4.20
Pasco County, Fla....	750,000	5.60
Logan Co., W. Va....	625,000	4.75
Elmira, N. Y.....	550,000	4.00-3.95
Schenectady, N. Y....	426,000	3.95

FOREIGN

Prov. of Ontario....	\$50,000	5.05
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INSULAR

Porto Rico.....	\$1,250,000	4.20
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LAND BANK

Pacific Coast Joint Stock Land Bank...	\$2,000,000	4.00-5.00
Kentucky Joint Stock Land Bank of Lexington	1,000,000	4.50-5.00

PUBLIC UTILITY

Southern Counties Gas Co.....	\$340,000	6.00
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INDUSTRIAL

Gen. Petroleum Co....	\$5,000,000	6.00
D. G. Dery Corp....	4,000,000	7.00
Ramapo Ajax Corp....	2,500,000	6.00
Martels Mills.....	2,000,000	7.50
Wickwire-Spencer Steel Corp.....	1,775,000	7.50
Rosemary Mfg. Co....	1,500,000	7.50
Brady - Warner Coal Corp.	1,100,000	7.25

period covered by this review. Features were the 5-million convertible gold note issue (a 5-year maturity) of the General Petroleum Co., whose purpose is to provide the corporation with funds to "make additional purchases of crude oil." Analysis of this particular issue leads to an interesting reflection as to what trade opinion in the petroleum market must be. A 5-year note issue of the proportions of this one, even though convertible into the company's stock, would hardly be sold for the purposes named if the outlook for crude prices was not considered rather exceptionally excellent.

It is interesting to note the yield basis on which the other industrial bonds were sold. It is seen that an oil company

by virtue of a loan which it received from the Government. It will not be called upon to meet a large maturity until 1925, when about \$47,000,000 of its bonds come due, and so has three years within which to place itself in a position to do this refinancing. The remainder of 1922 is the critical period which will largely determine the road's fate, since if fixed charges for the current year are earned by all but a negligible amount, little doubt need be felt about the future. The bumper crops predicted for this year and the large amount of coal which the St. Paul should move upon the resumption of operations in the Illinois field, ought to enable it to make a good showing and these bonds consequently would seem to offer a good speculative opportunity at this time.

Int. & Great Northern Adj. 6s

The International & Great Northern Railway now undergoing reorganization, with the improved facilities contemplated, and the more economical operation which will thereby be made practicable, should produce sufficient net income to fully cover interest on its new Adjustments. Within a short time this Texas road ought to be able to place its Adjustment 6s, interest on which is payable only if earned, on a fairly stable basis. At their present low level of 5¼% they represent an extremely attractive speculative opportunity.

HOW AUTO BODY-MAKERS COMPARE

(Continued from page 758)

company is a story unto itself and cannot be used to measure the value of the 100,000 shares of the present company, earnings of which have not been startling. In seven months of 1919, \$2.63 a share was earned; in 1920 almost \$6.00 a share, in 1921 the deficit of \$178,000 was equivalent to about \$1.75 a share, but in itself the deficit of last year does not mean much because deficits were common. Early in the current year it was thought that earnings were recovering briskly, but in the six months ended June 30, 1922, only \$3.60 a share was earned on the preferred stock, or 40 cents a share less than the six months' dividend requirement on the senior issue.

The net profit was \$35,000 with net sales of over \$1,000,000—perhaps indicating that Mullins found that the first half of the year still required readjustment. In other words, sales were satisfactory enough, but net profits were not, and perhaps indicated that large overhead was a temporary inheritance from the confused conditions of 1921.

As an indication of the volume of business in the first six months, it may be mentioned that net sales were equal to 70% of the total net sales of last year. Net earnings in June were said to be \$60,000, and if such a rate as that were maintained even through the third quarter of the year, the results of the second six months would be much better than those for the first six.

Mullins Body includes among its customers, Cadillac, Packard, Pierce Arrow, Locomobile, Peerless and Stearns, all cars of the better grade, in fact, fine grade; a quality business instead of a quantity business. The money this year in the automobile industry is in the cars of medium grade, selling at so-called popular prices.

Conclusions

The last dividend payment on Mullins Body stock was made in February, 1921. The rate up to that time and back through 1920 was \$4.00—a liberal enough distribution considering recorded earnings. At one time early in the current year there was talk of dividend resumption, but the six months' showing does not indicate that this is a possibility of the near future. Stock went from 19½ to 34 in the early months of 1922, but from that high lost 10 points or so, or two-thirds of the gain. The decline was undoubtedly due to the temporary, at least, abandonment of dividend hopes. Shares are usually inactive, or strictly in the speculative class where special and concrete developments must operate to bestir them to activity and draw interest. It would seem at the present time as if speculative attractions are lacking. The fine edge is taken off the automobile industry after the first half year and with Mullins Body earnings of the first six months as a basis, it is difficult, if at all possible, to suggest that the stock is definitely on the way to early dividend resumption.

St. Paul

and

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Central Indiana Power Co.	6s	1947	6.24
Wisconsin-Minn. Lt. & Power Co.	7s	1947	6.87
The Van Sweringen Co.	7s	1925-29	7.00-7.20
Stetson Cutler & Co., Ltd.	7s	1942	7.30

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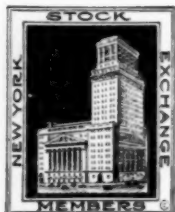
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UNLISTED UTILITY BOND INDEX GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a).....	80 bid	5.95
Buffalo General Electric First 5s, 1939 (c).....	101	4.90
Canton Electric Co. First 5s, 1937 (b).....	94	5.50
Cleveland Electric Ill. Co. 5s, 1939 (b).....	101	4.90
Denver Gas & Electric Co. First 5s, 1949 (c).....	95	5.35
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b).....	107½	6.80
Evansville Gas & Electric Co. First 5s, 1932 (a).....	95	5.90
Kansas Elec. Utility First 5s, 1925 (c).....	82 bid	10.50
Indianapolis Gas Co. 5s, 1952 (a).....	90	5.70
Los Angeles Gas & Electric Gen. 7s, 1931.....	105	6.30
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c).....	101½	5.70
Nevada-Cal. Electric First 7s, 1946 (c).....	100	7.00
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c).....	103½	7.15
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a).....	97	5.55
Peoria Gas Electric 5s, 1923 (a).....	100	5.00
Rochester Gas & Electric Corp. Series B 7s, 1946 (b).....	107	6.60
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a).....	94 bid	6.35
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939.....	98½ bid	6.20
Standard Gas & Electric Conv. S. P. 6s, 1926 (b).....	98½	6.40
Standard Gas & Electric Secured 7½s, 1941 (c).....	103	7.20
Syracuse Gas Co. First 5s, 1946 (a).....	94	5.32
Twin-State Gas & Electric Ref. 5s, 1953 (c).....	80	6.50

POWER COMPANIES

Adirondack P. & Lt. First & Ref. 6s, 1950.....	102	5.80
Adirondack El. Power Co. First 5s, 1962.....	96	5.23
Alabama Power Co. First 5s, 1946 (a).....	95	5.37
Appalachian Power Co. First 5s, 1941 (a).....	91	5.10
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c).....	104	7.10
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941.....	105	6.55
Cent. Maine Power Co. 5s, 1939 (a).....	92	5.50
Cent. Georgia Power Co. First 5s, 1938 (c).....	88	6.17
Columbia Power Co. (Georgia) First 5s, 1936 (a).....	94	5.70
Colorado Power Co. First 5s, 1953 (c).....	89	5.90
Consumers Power Co. (Mich.) 6s, 1936 (a).....	97½	5.25
Electric Dev. of Ontario Co. 5s, 1933 (b).....	96½	5.40
Great Northern Power Co. First 5s, 1925 (a).....	95	5.98
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a).....	104	6.57
Great West. P. Co. 5s, 1946 (a).....	95½	5.34
Hydraulic Power Co. First & Imp. 5s, 1951 (b).....	100	6.00
Idaho Power Co. 5s, 1947 (a).....	94	5.40
Kansas City Power & Lt. 5s, 1940 (c).....	107	7.30
Kansas City Power & Lt. First 5s, 1944 (c).....	95½	5.37
Laurentide Power Co. First 5s, 1946 (b).....	97	5.22
Madison River Power Co. First 5s, 1935.....	100	6.00
Mississippi River Power Co. First 5s, 1951 (c).....	95½	5.30
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b).....	104	6.55
Ohio Power First & Ref. 7s, 1951 (c).....	103	7.50
Penn. Ohio Power & Lt. Notes 5s, 1930 (c).....	102	4.90
Penn. Electric Power Gen. 6s, 1923 (c).....	96	5.40
Puget Sound Power Co. First 5s, 1933.....	96	5.30
Salmon River Power First 5s, 1952 (c).....	99½	6.10
Shawinigan Water & Power Co. First 5s, 1934 (b).....	100	6.00
Southern Sierra Power Co. First 5s, 1936 (c).....	89	5.90
S. W. Power & Lt. First 5s, 1943 (c).....	105	6.60
West Penn. Power Co. First 7s, 1946 (c).....		

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b).....	100	7.50
American Light & Traction Notes 5s, 1925 (c).....	107½	3.30
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a).....	75	7.50
Danville, Champ. & Decatur 5s, 1935 (a).....	85	6.25
Georgia Ry. & Power 5s, 1954 (b).....	88	5.93
Kentucky Traction & Terminal 5s, 1951 (a).....	82	6.37
Knoxville Ry. & Light 5s, 1946 (b).....	84½	6.25
Milwaukee Light, Heat & Traction 5s, 1929 (a).....	98	5.30
Milwaukee Elec. Ry. & Light 7s, 1923 (c).....	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b).....	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c).....	100	7.00
Memphis St. Ry. 5s, 1945 (a).....	79	6.50
Northern Ohio Trac. & Lt. 6s, 1926 (c).....	98	6.40
Nashville Ry. & Light 5s, 1953 (a).....	93	5.43
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c).....	103	7.24
Topeka Ry. & Light Ref. 5s, 1933 (c).....	85	6.80
Tri-City Ry. & Light 5s, 1930 (c).....	83	6.10
United Light & Rys. Ref. 5s, 1932 (c).....	89	6.52
United Light & Rys. Notes 5s, 1930 (c).....	104	7.05

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 5-Year 6s, 1924 (c).....	102	4.90
Bell Tel. Co. of Canada 1st 5s, 1925 (b).....	96½	6.50
Bell Tel. Co. of Canada 1st 7s, 1925 (b).....	104	5.65
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c).....	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c).....	98	5.10
Home Tel. & Tel. Co. of Spokane 1st 5s, 1934 (c).....	95½	5.80
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b).....	97	5.35

* Investors should note that the "asked" price on a bond may vary from 1 to 3 points from the "bid," depending upon the activity of the security.

UNITED LIGHT & RAILWAYS CO.
Declaration of Initial Dividend on Preferred Stock Calls Attention to
Bond Issues

ANNOUNCEMENT that United Light & Railways Co. had declared an initial quarterly dividend of 1 1/2% on the participating preferred stock calls attention to two of its bond issues which are still selling at levels which give a yield of 6 1/4%. The first and refunding 5s maturing in 1932 selling around 90 show a yield of 6.30% at this price while the long term issue of Series A first consolidated 6s selling at 96 1/2 show a yield of 6.25%. Both issues have a good investment standing and the latter issue should be attractive as giving a return of more than 6% regardless of how long held.

The company's earnings have been slow to improve as business in the Middle West, particularly in the territory in which it operates, has been poor but is beginning to pick up. This probably accounts for the comparatively low selling price of the bonds but better earnings are now being noted. The company enjoys a good rating as public utility property and the bonds seem to be selling out of line in comparison with some other issues.

Georgia-Carolina Power 5s

For the investor who is looking for a bond not of the highest grade with possible speculative opportunities for enhancement in value, the Georgia-Carolina Power Co. 5% bonds due July, 1952, should come in for consideration. Company is comparatively small and not well known but conducts an electric light and power business in the neighborhood of Augusta, Georgia. It has a modern hydro-electric plant on the Savannah River and can produce power very cheaply. The first mortgage bonds are now selling around 76, at which price there is a yield of 7% if held to maturity. Company is now doing very well and earning interest on this issue twice. The price seems too low in comparison with many other issues of equal merit and logically should move up with a continuation of the good market for utility securities. There is only \$2,705,000 of the issue outstanding which constitutes a first lien on the properties.

**ARE DEPARTMENT
STORE STOCKS GOOD
INVESTMENTS?**

(Continued from page 763)

with regard to dividend policy, the price of the stock around 55 seems to reflect the expectation of a \$4 rate. The company will probably want to conserve its cash to pay in part for the new building, but it had about \$8,500,000 after giving effect to recent financing, and could put its stock on a \$4 basis without hurting its position.

GIMBEL BROTHERS

As in the case of R. H. Macy & Co., the sales of Gimbel Brothers increased for SEPTEMBER 16, 1922

during the past three fiscal years. In the fiscal year ending January 31, 1920, the gross sales were \$58,346,214, in the fiscal year ending January 31, 1921, were \$66,070,496 and in the fiscal year ending January 31, 1922, were \$66,773,565. Profits for the three years respectively were 5.2, 2.8 and 3.5 millions, adjusted to give effect to taxes at 1922 rates. Gimbel's showed an improvement in earnings last year on about an even volume of sales with the previous year, whereas Macy's showed lower profits on higher sales in the last fiscal year but is showing a better earning ratio this year.

Gimbel Brothers have three stores in operation. Its first large store was opened in Wisconsin in 1887, followed in 1894 by a store in Philadelphia and in 1910 by a store in New York. Its combined sales volume is larger than Macy's because of the greater number of stores. There are total current assets of \$20,272,962, of which 50% consists of inventory, against current liabilities of \$7,290,687, a proportion that is less favorable than Macy's. Current assets are about \$87 per share of preferred stock compared with \$125 for Macy's and net tangible assets per share of preferred compare \$147 to \$180. Gimbel's carry their good-will at a nominal value of one dollar and Macy's carry this item at \$7,000,000, representing the purchase price of a one-half interest in 1914.

In the five months ending June 30, 1922, gross sales were \$28,568,374 compared with \$27,013,349 in the corresponding period of 1921. If the profit ratio of the last fiscal year is improved, as is likely, the earnings for this fiscal year after taxes ought be around \$4,000,000. This would be at the rate of more than 3.8 times the preferred dividend requirements and leave nearly \$6 per share for the common stock.

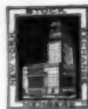
Gimbel Brothers 7% Preferred sells around 102 to yield 6.86%, compared with 107 for R. H. Macy & Co. 7% Preferred. The difference is accounted for by the relatively longer time Macy's has been doing business in New York, the stronger asset position and the slightly better earning ratio. Gimbel Brothers preferred makes a good investment and gives a good return in these days of lowering yields.

Conclusion

On the basis of earnings the directors could declare a \$4 dividend on the common stock, but a \$3 rate would be more conservative. What action will be taken is problematic. The stock, selling around 44, would be very attractive on a \$4 yearly basis, but even on a \$3 basis is not unattractive. It is likely to be a steady dividend payer and seems a good long-pull prospect.

A Correction

In the issue of August 19, 1922, among certain switches recommended Goodrich Tire was described as having one and one-half million shares outstanding. This was incorrect and should have read 601,400 shares.



**Foreign
Bonds**

The growing popularity of foreign government and municipal bonds is based on factors which are discussed in our current survey of the Foreign Bond market, a copy of which will be sent to investors on request.

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FOREIGN TRADE & SECURITIES

(Continued from page 744)

a notable deterioration in the average quality of German goods set in, because of the anxiety of manufacturers to increase their turnover as rapidly as possible. In both respects Czecho-Slovakia was and remained a better country to do business with.

As a result of this situation the industrial outlook in Czecho-Slovakia has become brighter at the same time as the German outlook grew darker. Foreign orders on a big scale have been coming in, factories are working at a higher proportion of capacity, unemployment is disappearing, and in short prosperity is coming into the country. The difference between this and the late German prosperity is that the Czech revival is based on a sound banking situation and an improving exchange position.

The rise in the Czech crown together with the placing of a loan in this country probably first focussed attention on the unique position which this country occupies in the "succession states" group. At late quotations of close to 4 cents the Czech crown is now almost in the class of the Italian lire and not so far away from the French and Belgian francs, and on a consideration of the present position and economic policies of the government it would seem in line for further improvement. I should certainly not care to advise holders of Czech currency or obligations payable in crowns to sell out their holdings at present levels.

The case of Hungary, while in a way analogous to that of German Austria, is far different from that of Czecho-Slovakia. In the first place, Hungary is essentially an agricultural country, although it, too, has mineral resources and a certain amount of industrial activity. To this extent it is nearly self-supporting, but it is compelled to import raw materials, coal to use in connection with its iron ore deposits, lumber, and cotton, wool, copper and the like.

The great trouble with Hungary, from a purely economic point of view, has been its extreme inflationism, approaching that of Austria, and its excessive unfavorable foreign trade balances. It has a weak banking system, but to a large extent this is an effect as well as a cause of its poor economic position.

In addition to its natural difficulties, however, Hungary has been hemmed in by hostile nationalistic states split up into valuable bits which have been assigned to its neighbors, and the integral geographical unity of its great valley basin has been broken up by political frontiers, which have been transformed into economic barriers by governmental regulations.

When I wanted to go from Berlin to Budapest, for instance, I had to go either through Vienna, cutting across the Austrian frontier twice, or by way of Prague, cutting through the Czech frontier. In both cases I had two visas to get, two sets of customs inspections to face, even

if I had no intention of stopping off for an hour within Austria or Czecho-Slovakia. Under these circumstances it is easy to see what a hindrance to trade and free intercourse these restrictions and formalities make.

The situation in Hungary, as with all the highly inflationistic states, is becoming progressively worse, along the lines of Austria and Germany, and while Hungary is more nearly economically independent than these two countries, the breakdown, while further postponed, is none the less unmistakably on its way.

Jugo-Slavia, another of the States which succeeded to the mixed heritage of the old Austrian Empire, is often confused by many with Czecho-Slovakia, from which it differs enormously as an economic entity. It seems to be having more trouble than most of the others with its newly-acquired parcels of territory, particularly Montenegro, Bosnia and Herzegovina. With this lack of racial cooperation goes an uncertainty of economic direction, confessed by a vacillating financial and fiscal policy, tending now toward inflation and now toward a strict taxation, the reduction of the funded and floating debt, and the deflation of the currency. To the rest of the world Jugo-Slavia has importance mostly as a source of raw materials, chiefly lumber and products of grazing and agriculture, but it is also a good though limited market for certain finished products.

The difficulty with trading with Jugo-Slavia, however, is the strict government regulation of both imports and exports, the complicated customs routine, and the occasionally incomprehensible requirements as to financing, warehousing, repurchasing and the like. In certain fields the government is the only one allowed to import, although it in turn resells to private distributors.

Inflation has not gone so far here as in Austria or Hungary, and the currency level is fairly stable, but banking conditions are of the most rudimentary. The whole country is highly developed, and has recently embarked on a national program for the exploitation of the national resources. It began under unfavorable auspices, however, with a loan raised on exorbitant terms in New York and London, most of which was unsubscribed. It may be that prospective investors remembered in time the past Serbian record with regard to more or less extensive repudiations of foreign loans by withdrawals or substitutions of collateral, arbitrary reductions in the interest rate, and the like.

A railroad is being planned to connect the main urban centers with the seacoast, but a survey of the map will show the difficulties caused by the mountains, rivers, and other physiographical hindrances which will make the road a very expensive affair. All things considered, progress in this country will probably be a long-drawn-out affair.

THE MAGAZINE OF WALL STREET

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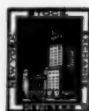
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Over the Counter

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	15	Gillette Safety Razor Co.....	*225	-230
Pfd.	30	Ingersoll-Rand	160	—
American Piano.....	70	H. W. Johns-Manville.....	430	—
Pfd.	85	New Jersey Zinc.....	153	-156
American Type Founders.....	56	Niles-Bement-Pond	47	-49
Atlas Portland Cement.....	58	Phelps-Dodge Corp'n.....	158	-168
Babcock & Wilcox.....	119	Royal Baking Powder.....	110	—
Borden Co.....	109	Savannah Sugar.....	51	-54
Bucyrus, pfd.....	94	Pfd.	95	-110
Celluloid Co.....	92	Singer Mfg. Co.....	97	-100
Childs Co.....	114	Thompson-Starrett	60	—
Crocker Wheeler.....	50	Ward Baking Co.....	103	-107
Jos. Dixon Crucible.....	134			

* Listed on N. Y. Curb Exchange.

Further Strength Shown

OVER-THE-COUNTER securities continued strong during the fortnight especially the group listed in the table above. Among the most impressive moves were those in Royal Baking Powder, which sold at 113½ (over 8 points above the bid price two weeks ago), New Jersey Zinc, which touched a new high for this movement of 155, and American Type Founders, which advanced several points.

Strength in New Jersey Zinc was no surprise to those who have followed the trend in this company's affairs this year. As brought out by this Department in the last issue, New Jersey Zinc's earnings in the first half of this year were nearly four times the 1921 record for the same period, comparing actually as shown in the following table:

1st 6 Mos.	Net Income
1921	\$788,272
1922	2,672,725

The improvement reflected in these figures, moreover, is a real improvement, resulting from an actual upturn in the company's business. For the whole year, the improvement over 1921 is likely to be correspondingly good, although it should be remembered that the company made charge-offs of the severest sort in the earlier year.

At the current price of 155, the stock yields only 5.15%, removing it from the "bargain" field, so far as income is concerned. On the other hand, if earnings continue at the current rate, the present dividend rate and income yield will not be the standard by which far-sighted investors will judge the issue's merits.

American Type Founders

THIS company, one of the first to be analyzed in the over-the-counter department, when the stock was selling 15 points below the present price, is the largest factor in this country in the manufacture, casting, buying and selling of type, printers' material and machinery. It does a large business abroad in normal times through the National Paper & Type Co., a subsidiary. Its Jersey City plant is the largest type-foundry plant in the world, and there is another large plant at Franklin, Mass.

The company's 1922 fiscal year has just ended (August 31st) and it is understood the showing will be approximately the same as for last year, when the company earned 32% on its preferred and over 16% on its common.

As of 1918, the American Type Founders had outstanding some \$2,484,500 debenture bonds, comprising its sole funded debt. This sum has gradually been reduced, as showing in the following:

Year	6% Debentures Outstanding
1918	\$2,484,500
1919	2,372,200
1920	2,292,100
1921	2,195,100

During 1922, further reductions in the debt were accomplished.

The common stock at its present price of 58 offers a yield of nearly 6.90%. As an issue that has not once failed to receive 4% each year for the last 24 years, and especially in view of the current large excess of earnings over dividend needs, the common can be regarded as a high-grade security. If published reports that the management is seriously considering an extra disbursement at the next meeting are well-founded, it has added speculative attractions. However, on its record and earnings status alone, the stock seems fully entitled to its present price and is an attractive investment.

THE MAGAZINE OF WALL STREET

WHAT EQUIPMENT BONDS OFFER

(Continued from page 750)

York Plan." Is a direct obligation of the railroad. The road makes an advance payment, say ten per cent, to the manufacturer on cost of the needed equipment. Conditional sale is then made to the road, and equipment bonds, under authority of a trustee, are issued to effect payment. Bonds thereafter are a direct obligation of the road, and a first mortgage on all equipment purchased, title for benefit of security holders remaining with trustee until all obligations have been discharged.

From the foregoing, it is seen that the essential principles of this general form of financing are adhered to both in the "New York Plan" and in the "Philadelphia Plan." In a word, all equipment issues have a "pawnbroker's grip" (as a previous writer in this Magazine aptly put it) on the security behind them, and as anyone who knows anything about the pawnbrokerage business can attest, there could be no higher warrant of safety!

Salient Features

Equipment issues are, generally, 10-year maturities. A glance at the accompanying table, which is composed of some of the more prominent issues of this class now available for investment, shows that the most distant maturity is 1935, or thirteen years hence; but the majority mature earlier.

Equipment issues are benefited by the retirement clauses to which they are subject. Thus, a typical issue of \$10,000,000 matures at the rate of \$1,000,000 annually. This means a constantly growing equity for the security holder. Furthermore, the rate at which this equity grows is always greater than the rate at which depreciation of the rolling stock occurs. This point is brought out in striking fashion by the accompanying graph, which shows that, on a typical equipment issue, the value of the equipment itself is greater at the start than the value of the notes by 20%; at the end of the 5th year, the difference in favor of the notes is 48%; and by the end of the 8th year a differential in favor of the security holder exists amounting to no less than 300%.

The income return from equipment issues is frequently higher than that available in bonds of no greater security. Thus, our selections show at least one offered yield of as high as 5.75% which, as a glance at the Bond Buyers' Guide will show, compares most favorably with the return to be had from the ordinary high-grade railroad bond.

The rolling stock itself, which is the security behind an equipment issue, is always fully covered by insurance. Added security has developed in recent years with the perfection of the steel car which is, of course, much longer-lived than the old wooden contraption.

These are the salient features of equipment issues as a whole. They explain, in part, the growing popularity of this bond class. They also explain why, in that perilous railroad era from '94 to '96, when over 94,000 miles of railroad went in receivers' hands, no single holder of the 60 millions of equipment trusts then outstanding suffered any loss.

Here is a Book That is More Than a Book

Have we tired you on matter which may be neither flesh nor fish, but terrapin? We get ten cents a word for writing this (five cents for an asterisk . . .). And when we have collected we are going to invest after the formula contained in Richard D. Wyckoff's new "How I Trade and Invest in Stocks and Bonds."—From "Brentano's Book Chat."

How I Trade and Invest in Stocks and Bonds

Richard D. Wyckoff,
Editor of *The Magazine of Wall Street*

PARTIAL CONTENTS

Chapter I—My First Lessons in Investing and Trading.

Chapter II—Profitable Experience in the Brokerage and Publishing Fields.

Chapter III—Why I Buy Certain Stocks and Bonds.

Chapter IV—Unearthing Profit Opportunities.

Chapter V—Some Experiences in Mining Stocks.

Chapter VI—The Fundamentals of Successful Investing.

Chapter VII—The Story of a Little Odd-Lot.

Chapter VIII—The Rules I Follow in Trading and Investment.

Chapter IX—Forecasting Future Developments.

Chapter X—The Truth About "Averaging Down."

Chapter XI—Some Definite Conclusions as to Foresight and Judgment.

Chapter XII—Safeguarding Your Capital.

Chapter XIII—How Millions Are Lost in Wall Street.

Chapter XIV—The Importance of Knowing Who Owns a Stock.

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As editor of THE MAGAZINE OF WALL STREET, Mr. Wyckoff has come in active contact with the mistakes of the average security buyer, and has developed into successful investors many thousands of business men who had lacked the necessary training in the principles of security values.

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Actual value of taxable property (est.).....\$25,000,000
Assessed value of taxable property.....16,110,100
Net debt (less than 3%).....457,163
Population 12,000

These bonds are a direct and general obligation of the entire City, payable from taxes levied upon all the taxable property therein.

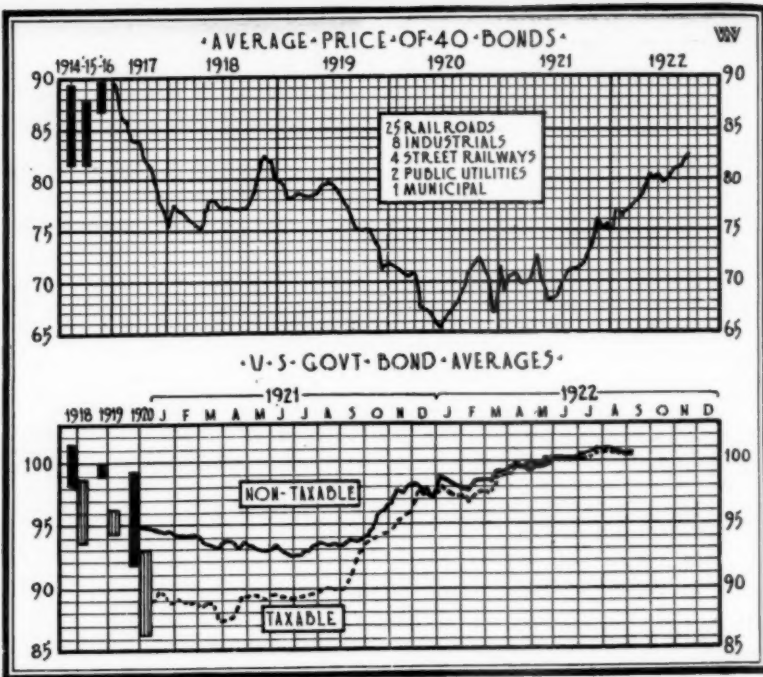
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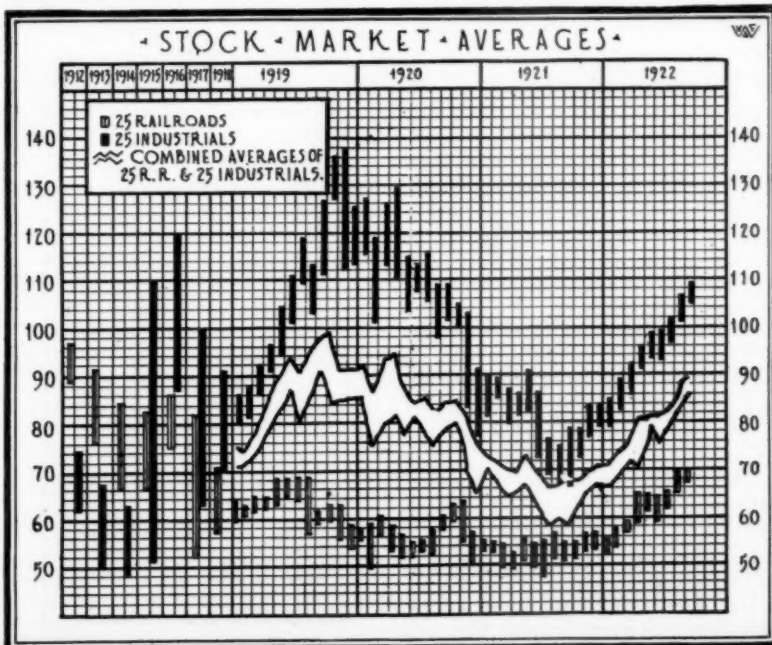
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MARKET STATISTICS

	N. Y. Times			Dow, Jones Avgs.		N. Y. Times		
	40 Bonds	20 Indus.	20 Rails	High	Low	50 Stocks	Sales	
Monday, Aug. 28.....	82.26	99.21	90.59	87.15	85.99		775,815	
Tuesday, Aug. 29.....	82.26	100.70	91.92	87.95	86.62		769,291	
Wednesday, Aug. 30.....	82.36	100.75	92.68	88.72	87.77		946,391	
Thursday, Aug. 31.....	82.25	100.78	92.48	88.91	87.70		877,870	
Friday, Sept. 1.....	82.20	101.28	92.41	89.31	88.09		1,075,364	
Saturday, Sept. 2.....	82.26	101.29	92.10	89.01	88.38		327,833	
Monday, Sept. 4.....				H O L I D A Y				
Tuesday, Sept. 5.....	82.24	101.67	92.16	89.26	88.17		886,875	
Wednesday, Sept. 6.....	82.22	100.68	91.20	89.00	87.50		990,704	
Thursday, Sept. 7.....	82.29	101.05	92.19	88.89	87.66		901,420	
Friday, Sept. 8.....	82.28	101.12	93.51	89.68	88.55		1,058,555	
Saturday, Sept. 9.....	82.34	101.68	93.88	89.85	89.03		499,200	



HOW AUTHORITIES VIEW POSITION OF TWO LEADING COMMODITIES

(Continued from page 747)

12,000,000 bales. This would leave the carry over at the end of the season around 3,000,000 bales, which would be close to the minimum margin of safety.

The position of cotton on the basis of these calculations would be potentially bullish, but it would call for conservatism during the early period of the crop movement. The attitude of the consumer, as usual, is likely to be to the effect that with prices above 20 cents in the interior, a considerable proportion of the crop will be for sale. Consequently, there will be a tendency to curtail buying operations until it is seen whether this theory proves correct.

Situation Calls For Caution

Please let it be borne in mind that the writer of this article is not attempting to make a speculative diagnosis of the general situation or of any immediate market movement. The attempt is made here to set forth one of the chief reasons why cotton, although potentially a bullish proposition, based on the assumption of a crop of 10,000,000 bales and consumption of 12,000,000, might temporarily call for caution until more is known about the attitude of the producer in respect to selling and the attitude of the consuming manufacturer with respect to buying.

Under any circumstances, assuming the approximate correctness of the tentative figures above given, there is no reasonable prospect of low-priced cotton this year or perhaps for several years to come. According to the Department of Agriculture the ravages of the boll weevil in 1921 reduced the production of cotton to the extent of 109.1 pounds per acre. The loss from all causes, such as climatic conditions, plant diseases, insect pests and other factors, was 163.1 pounds per acre. This would indicate, according to the Department figures, that the boll weevil alone cut down the crop of last season to the extent of 6,277,000 bales, while the loss from other causes represented an addition of 4,435,000. Until some practical method of weevil control is discovered, there is no reasonable prospect of a return to normal prices for cotton, that is, pre-war prices, say around the 15-cent level.

Advisedly, no emphasis has been laid on the unsettled state of Europe and its bearing on cotton consumption. In all probability, this factor is subject to the usual exaggeration. The decline in the German mark is disconcerting to the inexperienced observer who assumes that Germany will buy little or no cotton on account of her depreciated currency. Even now the German mark is worth several times the exchange value of the Polish mark, but the textile mills of Lodz, in spite of this, are busier than those of Lancashire. Any decline in cotton consumption by Germany is likely to be materially offset by increased activity in

Great Britain, for the world has no surplus of cotton goods, and if Germany does not make them, Great Britain will, and if Europe does not care to stock up with raw material for the purpose of manufacturing finished products, American manufacturers will stand ready to meet the world's requirements for cotton fabrics.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Am't Declared	Stock Pay- Record	able
\$3 Advance-Rumely pfd 75c	Q	9-15	10-2
7% Allied Chem & D pfd 134%	Q	9-15	10-2
7% Amer Can pfd..... 134%	Q	9-15	10-2
6% Amer Tobacco pfd..... 134%	Q	9-9	10-2
\$7 Amer Woolen com..... \$1.75	Q	9-16	10-16
4% Amer Woolen pfd..... \$1.75	Q	9-16	10-16
6% Amer Window G com 134%	Q	9-9	10-2
7% Amer Window G pfd 134%	Q	9-9	10-2
7% Armour pfd..... 134%	Q	9-15	10-2
— Amer Safety Razor..... 25c	ini	9-12	10-2
7% Bangor Ry & El pfd 134%	Q	9-9	10-1
\$2 Beech Creek R R..... 50c	Q	9-15	10-1
— Horne Scrymser..... \$20	Ann	9-16	10-15
\$8 Boston & Albany..... \$2.00	Q	8-31	9-30
\$8 Brooklyn Union Gas..... \$2.00	Q	9-15	10-2
\$8 Burroughs Add Mach..... \$2.00	Q	9-21	10-30
\$7 Bush Ter Bldg pfd..... \$1.75	Q	9-20	10-2
4% Cambria Iron..... 2%	SA	9-15	10-2
6% Canadian Gen El com 134%	Q	9-15	10-2
\$7 Case Threshing M pf \$1.75	Q	9-11	10-1
6% Celluloid Co com..... 134%	Q	9-15	9-30
6% Cent Ill Pub Serv pfd 134%	Q	9-30	10-2
15% Cities Service com..... 134%	mo	9-15	10-1
15% Cities S com (stk)..... 134%	mo	9-15	10-1
15% Cities Service pfd..... 134%	mo	9-15	10-1
6% Cities Service pfd B..... 134%	mo	9-15	10-1
6% Cleve El Ill pfd..... 134%	Q	10-25	11-1
\$4 Coco-Cola common..... \$1.00	Q	9-15	10-1
\$4 Com Solv pfd A..... \$1.00	Q	9-30	10-1
6% Com Tab & Record..... 134%	Q	9-25	10-10
8% Cons G&El Balt pf A 2%	Q	9-15	10-2
7% Cons G&El Balt pf B 134%	Q	9-15	10-2
8% Cons G&El Balt com 2%	Q	9-15	10-2
4% Cramp Ship & Eng..... 134%	Q	9-15	9-30
8% Detroit Edison..... 2%	Q	9-20	10-16
\$12 Draper Corp..... \$3	Q	9-2	10-2
\$8 Famous Players L c..... \$2	Q	9-15	10-2
\$8 Gen Baking com..... \$2	Q	9-16	9-30
\$8 Gen Baking pfd..... \$2	Q	9-16	9-30
7% Gen Cigar deb pfd..... 134%	Q	9-25	10-2
\$8 Gen Electric..... \$2	Q	9-7	10-14
— Gen Electric (stk)..... 5%	—	9-7	10-14
— Gillette Razor (stk)..... 5%	—	11-1	12-1
\$6 Gold & Stock Tel..... \$1.50	Q	9-30	10-1
7% Gulf S Steel 1st pfd 134%	Q	9-16	10-2
7% Hart Schaf & M pfd 134%	Q	9-19	9-30
\$2 Hayes Wheel..... 50c	Q	8-31	9-15
8% Ill Bell Telephone..... 2%	Q	9-29	9-30
7% Inter Silver pfd..... 134%	Q	9-15	10-1
6% Kelly-Sp'g'd Tire pf 134%	Q	9-15	10-2
6% Mackey Companies c 134%	Q	9-6	10-2
4% Mackey Companies pf 134%	Q	9-6	10-2
7% Manati Sugar pfd..... 134%	Q	9-15	10-2
\$4 Manhattan El com..... \$1.00	Q	9-20	10-2
\$6 Market St Ry or pfd \$1.50	Q	9-11	10-1
7% Mathison Alkali pfd 134%	Q	9-20	10-2
8% May Dept Stores c..... 2%	Q	11-15	12-1
7% May Dept Stores pfd 134%	Q	9-15	10-1
\$12 Mex Petroleum com..... \$3.00	Q	9-15	10-1
\$8 Mex Petroleum pfd..... \$2.00	Q	9-15	10-1
6% Mont Cot Ltd com..... 134%	Q	8-31	9-15
7% Mont Cot Ltd pfd..... 134%	Q	9-9	9-30
7% Nat Enameling pfd 134%	Q	9-30	10-2
12% National Surety..... 3%	Q	9-14	10-2
\$5 N Y Lack & W..... \$1.25	Q	9-5	10-2
10% North Amer Co com..... 2%	Q	9-5	10-2
6% North American pfd 134%	Q	9-5	10-2
7% Okla Gas & El pfd..... 134%	Q	8-31	9-15
7% Packard M Car pfd 134%	Q	9-15	10-1
7% Paige-Det Motor pfd 134%	Q	9-15	10-1
\$6 Pan-Am P & T Cl A..... \$1.50	Q	9-15	10-10
\$6 Pan-Am P & T Cl B..... \$1.50	Q	9-15	10-10
\$4 Parke-Davis..... \$1.00	Q	9-20	9-30
— Parke-Davis..... \$1.00	Ext	9-20	9-30
7% Penn W & P..... 134%	Q	9-15	10-2
7% Pet Mulliken 1st pfd 134%	Q	9-21	10-1
7% Pet Mulliken 2nd pfd 134%	Q	9-21	10-1
7% Ry Steel Spring pfd 134%	Q	9-6	9-30
7% Ry Steel Spring com 134%	Q	9-16	9-30
7% Reynolds Spg pfd A..... 134%	Q	9-24	9-30
7% Reynolds Spg pfd B..... 134%	Q	9-24	9-30
5% St Maurice Paper..... 134%	Q	9-5	9-15
\$7 Sears Roebuck pfd..... \$1.75	Q	9-15	10-1
7% S Williams (Can) pf 134%	Q	9-15	9-30
6% S Williams (Can) c 134%	Q	9-15	9-30
\$6 South Penn Oil..... \$1.50	Q	9-13	9-30
\$4 South Penn P L..... \$1.00	Q	9-15	10-2
\$3 Timken R Bearing..... 75c	Q	9-11	9-30
7% Tob Pits Class A..... 134%	Q	10-22	11-15
7% Tob Pits pfd..... 134%	Q	9-15	10-2
\$8 Todd Shipyards..... \$2.00	Q	9-5	9-20
\$10 Underwood T com..... \$2.50	Q	9-2	10-1
\$7 Underwood T pfd..... \$1.75	Q	9-2	10-1
\$6 Union Bag & Paper..... \$1.50	Q	9-6	9-16

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Funding the Difference

Further Thoughts on the Straight Life—Twenty-Payment Controversy

By H. G. P.

TO the person who looks at insurance from the business point of view, it will be interesting to compare the straight life policy with the 20-payment life. It must be remembered, however, that the writer would suggest the following scheme only for the man who keeps a personal set of books and who can place his money in safe investments.

The idea is to find the cost of a 20-payment life policy and of a straight life policy and calculate the difference between their annual premiums. The assumption is that the insurer will take out the straight life policy and invest the difference between it and the 20-payment policy in some sort of savings (*sic*) account. The premiums and the savings payments are both made until the savings with its compounded interest are large enough for interest on the savings to equal the cost of the premiums. At this point, payments are practically stopped on both, and the interest from the savings account is used to pay the premiums thenceforth.

How It Works

Assume that a man of 25 takes out insurance under this plan. The 20-payment life would cost about \$225 for \$10,000, while the straight life would cost only \$152.50. The difference is \$72.50. The man takes out the straight life policy, making his annual payments of \$152.50. At the same time, the \$72.50 is invested in an account that draws 6% interest. This system is used for 20 years, at the end of which time the amount deposited with compound interest will equal about \$2,650.

I will be seen that the money on deposit will yield about \$160 annually, from the 20th year on, which is more than the annual premium. This money is then used to pay the premiums, no more actual payments being made on either the premiums or the savings.

Advantages

The cash value of the straight life policy *plus the amount on deposit* is always equal to the cash value of a similar 20-payment life policy. However, in event of death either before or after the twenty years, the beneficiary receives the \$10,000 plus the amount on deposit which, at twenty years, equals \$2,650, or over 25% of the policy.

Note: The foregoing interesting plan is an elaboration of certain suggestions made by Mr. Dowst in previous issues of the Magazine. Assuming the author's figures to be correct, it is seen that a good case has been made for Straight Life policies under the circumstances outlined.

It is very important, however, to point out again what we have pointed out several times before: That such a plan as this presupposes a rather rare capacity for thrift and a keen knowledge of invest-

ments in the policy-holder.

As Mrs. Clarendon has remarked numerous times in her popular insurance articles, one of the chief values of an insurance policy is the gentle propulsion toward saving which it supplies. A man who signs his name to a contract requiring the payment of a certain definite sum at stated intervals is certainly surer to set aside those sums than another man who merely "decides" to set them aside. The savings bank officials who have devised a plan combining savings and insurance premiums, in other words, a savings plan with some teeth in it, will testify to the truth of this statement. Readers are asked to bear this in mind before undertaking the H. G. P. plan.

So far as the "keen knowledge of investments" is concerned, the necessity of having such a knowledge becomes apparent when it is fully understood that H. G. P.'s plan requires that the policy holder obtain a regular 6% per annum on his invested surplus—on the amounts he saves, that is, by discriminating in favor of the cheaper Straight Life policy. The school children who are putting by their pennies under the American Bankers Association School Thrift plan will testify that you can't get 6% on a savings account; and some pretty sagacious investors will testify that it's no simple matter to obtain 6%, regularly, year-in and year-out, from even an investment account. "Buy mortgage bonds," you say? Well and good; mortgage bonds will yield you 6% or more today, and will supply about as much safety as you could wish; but how is Mr. H. G. P. going to get a mortgage bond with his first year's surplus of \$75, and what assurance has he that mortgage bonds will continue to pay 6% and more for the next twenty years? As a matter of fact, this Department is inclined to believe that, to average a full 6% return year-in and year-out on small invested sums would require the best sort of investment judgment; and everyone doesn't enjoy the best sort.

With these two points sufficiently emphasized to relieve our conscience, we can repeat that the wide-awake investor should find much food for profitable thought in H. G. P.'s analysis.

Funding

Any security that is sold by a corporation for the purpose of providing funds to meet a debt at a certain date, or even for the purpose of deferring a debt indefinitely, is sold under a process known as "funding." Theoretically, then, the sale of stock, which is to provide for floating indebtedness, becomes a form of "funding." As generally applied, however, "funding" refers to financing done through the sale of bonds.



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HOW THE FEDERAL RESERVE FUNCTIONS

(Continued from page 745)

the United States which recently reviewed the entire situation, finds that today, in addition to the members of the Federal Reserve System itself, more than 8,000 banks and trust companies organized under state law are also remitting at par, while the remainder of the banks of the country are pretty generally down to the standard level of $\frac{1}{4}$ of 1% or less. This is a very great change from the conditions which formerly prevailed. The Chamber of Commerce estimates that a restoration of the system of charging for check collections at the rate of only 1/10 of 1% would put a burden of perhaps \$157,000,000 on the country at large if all checks which go through Federal Reserve banks should be subject to exchange.

Rates of Interest and Discount

There has been a great deal of discussion about the effects of the Federal Reserve System upon interest and discount rates. As already pointed out, a direct and immediate influence of this kind is best exerted by a central banking system through its open market operations, while the Federal Reserve System has made but relatively small progress in that direction. The system has, however, had a very important indirect influence upon discount and interest rates, taking the country as a whole. This may be seen by referring to conditions which existed before the inauguration of the system and comparing them with those which prevail today. There has unquestionably been a great growth of uniformity in rates throughout the country, accompanied by a strong downward tendency. During the two years after the system was organized rates in most parts of the country were unusually low. Then came the interruption of the war, with its disturbance of all rates, which continued during the period of war financing after the armistice. Today, we again have a period of unusually low money rates, which seems likely to continue for some time. Various factors have combined to bring about this condition, but the Federal Reserve System has been the most important of them all. It has both unified and reduced rates of interest in the classes of loans which it is authorized to make.

Relation of Reserve System to Citizen

The average man, although he never enters a reserve bank—and particularly the average investor—is being more directly and powerfully influenced by the Federal Reserve System today, notwithstanding the relatively low level of the lending operations of the system, than he is by any other financial factor, without exception. To the system he has owed the exceptional stability of financial and business conditions existing during the war, the entire freedom from any fear of panic, even when the reaction and depression of 1921 was worst; the lower and more stable rates of interest, and the more favorable conditions of investment

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which he enjoys; and the prompt and reasonable collection service which within its limits is probably better than any similar service now in existence, since there is none that covers anything like so great an area. These results are accomplished through the steady functioning of the reserve system; while the Government, which represents the citizens in their joint capacity, has been equally helped in the collection of its revenues and the disbursement of its interest and other obligations.

Fortunately there is no panic or financial disturbance in sight on the horizon of the United States, although this is perhaps the only country of the world of which such a remark can truthfully be made. The Federal Reserve System has not "taken a vacation;" and if present conditions are to be maintained will not soon be able to take one.

JULY EARNINGS GOOD DESPITE STRIKE

(Continued from page 756)

on its common stock, and Great Northern and Northern Pacific will probably earn sufficient to cover their 7% and 5% dividends, respectively. St. Paul, however, will be fortunate to fully cover its fixed charges.

Earnings of the Southern roads are likely to show a falling off, if present indications of a short cotton crop materialize, but not to any serious extent.

Eastern and Western roads should enjoy an exceptionally prosperous last quarter because of the need of coal throughout the industrial sections and the increasing production in the basic Eastern industries.

INVESTORS' VIGILANCE COMMITTEE

(Continued from page 778)

land selling or land service company inquired about. In this letter, Mr. Burke says:

"No agent connected therewith is an employe of the Government, nor is he authorized to sell Indian tribal lands in Oklahoma or any other state. This Government does not send out exhibition cars or agents to advertise the sale of Indian tribal lands in Oklahoma or the sale of 'equities' of original purchasers who have made the initial payment on land and desire to sell their equities before completing full payment. This Government recognizes only the original purchaser at the sale as entitled to the deed when full payment is made."

The actual value of most of these properties is apparently about nothing per acre. They sell for whatever the smooth-talking salesman can induce the prospect to sign up for. The biggest joker in most of these "contracts" is that the initial payment is only a fee to the land company for looking up a suitable piece of property for the victim to buy, and to be forfeited if the buyer fails to complete the purchase—otherwise it will be credited to the final payment.

WHICH IS THE BEST \$6-STOCK?

(Continued from page 760)

sult the company was able to show \$4.75 a share earned on the common whereas most companies in the same line lost millions.

On the basis of business done since the beginning of the current year the company will dispose of between 35% and 40% more more cases of canned goods than last year. Dried fruit business which is an important part of the total shows a large improvement over 1921, in some cases dried fruits contracted for was over 100% ahead of 1921 contracts. The asparagus pack was more than double last year and has all been sold at advanced prices. Last year the company had to sell on a declining market whereas this year the market for the company's products has been a rising one. The company's total supply of sugar for this year's pack was purchased at close to the bottom of the market. Under these conditions an excellent report for the current fiscal year is practically assured.

There is a rather inactive market in California Packing stock and in making a purchase it is well to limit the price. The stock has been gradually creeping upward and under the favorable market conditions now prevailing appears to be a good speculative opportunity at present levels of 80.

NOTE.—This is the fifth of a series of articles showing the best stocks in each dividend-paying group. In this issue the best industrial stocks paying \$6 are discussed. In later issues will appear a description of the best \$6 stocks in the public utility and railroad, best \$7 and \$8 dividend payers.

WHAT TO EXPECT FROM THE PUBLIC UTILITIES

(Continued from page 771)

duces the ratio of operating cost. It was only recently stated by an official of the company that 1916 could be considered a normal year, during which operating ratio was 54.5%. Figures covering ten years' operations are given in accompanying table.

Pacific Gas & Electric Co. can be considered another representative company. It supplies gas and electricity to a large part of California, chiefly the central portion. Part of its electric output is generated by steam power but by far the larger part is from hydro-electric plants. A short résumé of operating ratio since 1912 is here given. The 1912 and 1916 figures can be considered normal. Peak of high costs was reached in 1920 and recessions in 1921 and early months of 1922 are noted.

	Gross	Net	Oper. Ratio
1912.....	\$14,025,662	\$5,594,061	60.1%
1916.....	18,615,497	9,056,616	51.3%
1920.....	34,475,372	11,024,773	68.0%
1921.....	36,494,474	12,060,390	65.7%
*1922.....	19,490,813	7,590,606	61.0%

* Covers 6 months to June 30, 1922.
(Continued on next page)

Traction Companies

Among the traction companies, Brooklyn Rapid Transit Co. prior to 1919 was a good example of a street car company whose earnings were well stabilized. For instance, in the ten-year period 1908-1919, its operating ratio remained consistently between 54 and 60%. Its quick come-back in earnings staged the early months of 1922 have been little short of remarkable and indicates an early discharge of the receiver.

Rigid economies put into effect by the receiver together with elimination of transfer privilege have been responsible for the better showing. Other traction companies, as a rule, have not shown the same remarkable improvement as has B. R. T. Operating statistics of the company, 1918, and nine months ended March 31, 1922, are given below.

It was in 1918 when the troubles of B. R. T. commenced, though for the full year it made a fair showing. The statement for nine months to March 31 last shows an operating ratio of 65%. Thus B. R. T. had been doing almost as well on an operating basis as it did in 1918 when earnings were equal to \$5.50 a share on the capital stock.

	Gross	Net	Oper. Ratio
*1922	\$25,448,984	\$7,446,058	65%
1918	34,348,033	12,236,378	59.68%

*Covers nine month period to March 31, 1922.

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Intimate Talks With Readers Group Movements in Securities and Seasonal Influences

The Group Movement Explained

The tiresome Customer was pestering the bored Customers' Man the other day. The latter had not missed a day in the street since Amalgamated was first offered for public subscription, and the Customer had been "trading" a full year now—in fact, since the present bull market commenced. He had made some money, and of course, was quite an authority around the board-room.

The Tiresome Customer didn't believe in market theories, nor fundamentals, nor economics; and the condition of the crops or the price of call money meant nothing in his life. His entire rule for success was: "Buy 'em on the dips and sell 'em on the bulges." So far he was right, and poor Studebaker was at present the victim of his experiments.

"Don't you think I ought to buy back some 'Stude' on this break to 124?" he asked the Customers'-Man. "Some" meant 50 shares, of course; and he didn't intend taking anybody's advice anyway. He liked people to agree with him.

"It hasn't broken so much; it's ex-dividend," testily answered the veteran doctor of customer troubles.

"But it ought to make a double-top and its new dividend isn't discounted," persisted the tiresome one.

"Why don't you buy some Union or some Loco, or some of the coal stocks? Can't you see the motors are through for a while, and 'they're' giving the old leaders a rest? What are you, an investor, an auto man, or a trader?" snapped the C. M.

"But this is a bull market!" triumphantly announced the pest, as if imparting a secret to the assembled company.

"I don't give a damn what kind of market it is," blurted the now thoroughly enraged old-timer. "All the money of all the pools and banks combined, without the public's help won't keep up all the stocks all the time. Put *that* in your pipe and smoke it. You'll go broke on your scalping the bulges if you keep on following them on the way down. Hitch your bankroll to the stocks that are going up!"

* * *

The Customers'-Man expounded the right kind of advice which showed that he had really followed markets year in and year out for a couple of generations.

The inception of movements does not come from the outside public, although speculative buying in odd lots, and even "nibbling" at very low prices in small lots, and the stock put away eventually stabilizes the price around certain low points. This accounts for certain low prices being reached over and over again without "breaking through." Perhaps also people close to the management believe in a stock's intrinsic value around a certain price, buy it, tell their friends, and so the good word passed around finds a group of buyers (in the aggregate important enough) who stabilize prices within a few

points of rock-bottom—which is often mistaken for "inside support," "pool work" and the like. We have noticed this phenomena and checked it up during movements of the past ten years, and it occurs too frequently to be a coincidence or an accident. After all, the fundamentals governing the momentum and movements of stock are simple. The action of such stocks like United Retail Stores, Kelly-Springfield, Tobacco Products, California Packing, and many others which had a substantial rise after several swings of this character will bear out these observations.

When the initial stabilizing movement is over, the real pools take hold, and the latter may be one man, six men, or a group; and very often several pools at different times. Still more remarkable, they do not act in concert, and the one group often takes hold where the other leaves off.

It would be a foolish pool indeed, or a foolish group that would start a movement quite out of season, and with the immediate outlook nothing to enthuse about. From the late fall to the motor shows is off season for autos. The motor show gives a line on prices and products and this naturally draws attention to earnings. From spring to midsummer is the height of the season including production, sales and deliveries. To start a boom in a motor stock in August without very special reason would not be much worse than commencing to advertising a new kind of hot drink in July.

Group movements are timed to the seasons, and with slight variations will do so indefinitely. It is not present earnings so much as the earnings to be published in the reasonably distant future that count. That's why the rails are in the limelight just now. The crops are of record proportions and movements are likely to be enormous. Consequently earnings, already good, are likely to be much higher not only month by month, but for the year. It is right for the people with the money to anticipate the future.

Why the mail-order stocks should have their movement now is obvious. The same applies to the coal producers. In the latter case the worst is known, and the best is yet to come—settlement is the only way; hence the movement right now.

If the trader before referred to knew anything at all, he would drop his interest in Studebaker (as he is not an investor), and either "take a position" in the seasonal stocks—rails, mail order or coal stocks—on a reaction (if he buys 'em on breaks); or garner his profits and await another good opportunity.

There isn't enough "inside" or "pool" money to put up and hold up every meritorious stock at one and the same time. Another reason—if we can safely assume such active support for the market (and we believe we can)—is: too many stocks, too active and buoyant at one and the same time would scatter the interest of speculators and investors alike, and spoil

the chance of constructive pools to put their favorites where they belong.

If you speculate it is a good rule to follow the activity in season and forget about the has-beens for the time being.

Go With the Market

The character of the market is an important thing to watch. During the past few months the bond market had a substantial rise, followed by action in some preferred stocks and real buoyancy in stocks of a true investment character.

The market itself is the best prophet of future conditions and the type of market—especially in bull markets—seldom fails to forecast what is beyond the horizon.

The present is an investment year. The rising market told us that money would be cheap and "easy." It is. Call and time money is plentiful and more of it will probably be available later. The market says so—and the market knows. This merely indicates that there is a time to speculate and a time to invest. The stock dividend market—the war market—the war bride market—merely followed the tendency of Wall Street established many years ago to base its next up move upon the one great factor that could be depended on to materialize without hitch or error.

No use buying a bunch of sugar stocks when the market says "Invest." It was no use investing in Canadian Pacific when the market said "Take your chance, gentlemen!—The public likes stock-dividends and war orders!"

For the best and nearest results—*Go with the market!*

The great advantage by so doing is that time is saved. Time is a great factor in investments and investors should watch out for their principal opportunities.

For the best and nearest results—*go with the market.*

MEETINGS ANNOUNCED

	Books Close.	Books Open.	Date of Meeting.
Am. Ag. Chem. Co.	Sep. 1	Sep. 15	Sep. 14
Am. Saf. Raz. Co.	Sep. 12	Oct. 7	Oct. 5
Amer. Shipb. Co.	Sep. 28	Oct. 13	Oct. 11
Assets Realiz'n Co.	Sep. 7	.....	Sep. 28
Beth. Steel Corp.	Aug. 29	Sep. 19	Sep. 28
Ches. & Ohio Ry.	Sep. 1	Sep. 27	Sep. 26
Cent. R. R. of N. J.	Aug. 24	.....	Sep. 22
Cons. Ry. & L. Co.	Sep. 11	Sep. 28	Sep. 27
Crex Carpet Co.	Sep. 12	.....	Oct. 3
Cuba R. R. Co. pl.	Aug. 19	Sep. 21	Sep. 20
Gt. Nor. Ry. pl.	Sep. 19	Oct. 13	Oct. 12
Hupp M. Car Co.	Sep. 2	.....	Sep. 13
Iowa Cent. Ry. Co.	Aug. 15	Sep. 9	Sep. 8
Lack. Steel Co.	Aug. 29	Sep. 19	Sep. 18
L. Erie & W. Ry.	Sep. 5	Oct. 5	Oct. 4
Keokuk & D. M. Ry.	Sep. 14	.....	Oct. 5
Manila Elec. Corp.	Aug. 28	.....	Sep. 15
Midvale Stl. & Ord.	Sep. 13	.....	Oct. 3
Midvale Stl. & Ord.	Sep. 23	Oct. 4	Oct. 3
Nat. Rys. of Mex.	Sep. 2	.....	Oct. 4
N. Y. Air Brake.	Sep. 8	Sep. 16	Sep. 15
N. Y. Life Ins. & Tr.	Sep. 5	Sep. 11	Sep. 7
N. Y. Life Ins. & Tr.	Sep. 5	Sep. 11	Sep. 7
Otis Steel Co.	July 24	.....	Sep. 18
Pacific Oil Co.	Sep. 12	Oct. 4	Oct. 3
St. L.-S. W. Ry. Co.	Sep. 2	Oct. 4	Oct. 3
Santa Cecilia Sug.	Nov. 1	.....	Nov. 21
S. Porto R. Sug.	Aug. 20	.....	Nov. 9, '22
Southern Ry. Co.	Sep. 12	Oct. 11	Oct. 10
Vana. Cp. of Amer.	Aug. 21	.....	Sep. 11
Wh. & L. Erie Ry.	Sep. 2	Aft. Mtg.	Oct. 5

for SEPTEMBER 16, 1922

Anyone Can Make Money in a Bull Market

is a general statement so often made by those who have not stopped to analyze market conditions.

One man says, "At the beginning of the bull market, last September, the average person could have picked practically any stock, *with his eyes closed*, and by 'sitting tight' would have realized a good profit."

How easy it is to *look back* over the period of a rising market and assume that profits could have been realized—almost automatically—by anyone, and how far this assumption is from the truth!

As a matter of fact, a large number of stocks could now be pointed out, any one of which might well have been selected by the average person at the beginning of the bull movement, and which since have not only failed to show appreciable profits but which have also shown a loss.

No one is infallible, but our Staff has succeeded, during the past year, in pointing out to its Associate Members opportunities from which they have realized profits equivalent to over sixty times the yearly cost of our service. These results did not involve "active trading."

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In June we advertised and recommended New England Fuel Oil, then selling below \$50. In August this stock sold at \$80. In July Mother Lode Coalition at \$9 was our recommendation. In August the price was \$11½.

Now, after a thorough investigation of the Company, we have prepared a circular on a preferred stock selling at a price to yield better than 8%. As this stock is participating and cumulative its investment value is combined with great speculative potentialities.

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The Menace of Tax Exemption

Authorities Concur in Belief That Premium on Extravagance Should Be Removed

IN recent months, the issuance of tax-exempt securities, notably municipal and state bonds, has attained vast proportions. It is estimated that, in the brief period from 1918 to 1921, the total annual issues of state and municipal bonds increased from 262 millions to well over 1 billion, or nearly five times; and in the current year, the movement, far from shading off, has scored a new record figure.

Authorities who have studied the tax-exempt phase of the financing field are almost unanimous in the belief that this huge increase in tax-exempt securities presents a grave problem, if not a positive menace, to the fundamental structure and the economic position of the country as a whole.

Encourages Reckless Waste

In the first place, it encourages reckless waste on the part of elective officials who know how easily a tax-exempt security can be marketed, irrespective of other merits. In the second place, it sets up competition of the most formidable sort against the taxable securities of legitimate industry.

That the dangers of the tax-exempt plan were foreseen long before the present generation is attested by remarks made by ex-President Harrison at the Union League Club, Chicago, in 1898. Said Mr. Harrison:

"Lincoln's startling declaration that this country could not continue to exist half slave and half free may be paraphrased today by saying that this country cannot continue to exist half taxed and half free!"

Opinion of the Present Administration

As for the opinion of the present administration, the following remarks by President Harding, in a message to Congress last year, show that intelligent sentiment has if anything become merely more emphatic on the question of tax-exemption.

"Many of us belong to that school of thought which is hesitant about altering the fundamental law. I think our tax problems, the tendency of wealth to seek non-taxable investment, and the menacing increase of public debt—Federal, State and Municipal—all justify a proposal to change the Constitution so as to end the issue of non-taxable bonds. No action can change the status of the many billions outstanding, but we can guard against future encouragement of capital's paralysis, while a halt in the growth of public indebtedness would be beneficial throughout our whole land."

Leaders in the agricultural world—peopled by one-third the purchasing power of the entire population—are equally convinced of the unwisdom of the tax-exempt plan. The chief spokesman of the American farmer—President J. R.

Howard, of the American Farm Bureau Federation, said recently:

"There has been an apprehension on the part of a number of farmers regarding the effect which a law of constitutional amendment making all bonds taxable would have upon the bonds issued under the Federal Farm Loan Bank Act.

"The lowest estimate which has been made by competent authorities regarding the outstanding tax-exempt bonds, Federal, State, Municipal and others, places the amount at from 16 billion to 20 billion dollars. Other authorities have estimated these bonds as high as 40 billion to 50 billion dollars. A reasonable estimate would indicate that at the present time they would total 20 billion to 25 billion dollars. There is no way of determining exact amounts.

"But, tax-exempt bonds are rapidly increasing, and unless soon checked will more than equal the value of all farm properties in the United States, including lands, buildings, livestock and machinery. These tax-exempt bonds are property. Being tax-exempt, they throw additional taxation burdens upon other classes of property. When the amount of tax-exempt bonds equals the value of the farm lands of the nation, it means that every acre of farm land will be carrying approximately a double taxation.

"The farmer is certainly as much entitled to tax-exempt securities as anyone else; but if all tax exemptions could be done away with and the farmer's bonds placed on equal basis with other bonds, he would be a gainer thereby, and not a loser."

A number of other equally striking opinions on tax-exemption are contained in an informative booklet recently issued by the Farm Mortgage Bankers Assn. of America. Like those quoted, they reveal a unanimous agreement among independent and unbiased men, nowhere instanced better than in the remarks of Herbert Hoover:

Says Herbert Hoover

"Surplus capital is pouring by hundreds of millions monthly into tax-free securities and foreign loans, and yet our railways are unable to finance the most moderate of construction programs."

Effect of Motor Transport on R. R. Securities

To the extent to which the motor cars are likely to take over the short-haul freight traffic, the railroads will probably be immediately benefited financially, because short-haul business is becoming increasingly unremunerative on account of the high proportion of terminal costs which it must sustain. Altogether, I am not afraid of motor cars and aeroplanes making railroads obsolete.

—Elisha Lee, Vice-President, Pennsylvania System.

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DIVIDENDS

Dividend Notice Packard Motor Car Company Preferred Stock

The 52nd quarterly dividend of one and three-quarters per cent (134%) on the Preferred Capital Stock of the Company has been declared by the Board of Directors, payable September 15, 1922, to the holders of the Preferred Stock of record at the close of business August 31, 1922. The books will not be closed.

FREDERICK R. ROBINSON,
Secretary and Treasurer.

Detroit, Michigan,
August 23, 1922.

American Woolen Company

(Massachusetts Corporation)
QUARTERLY DIVIDENDS

Notice is hereby given that the regular quarterly dividends of One Dollar and Seventy-Five Cents (\$1.75) per share on the Preferred Stock and One Dollar and Seventy-Five Cents (\$1.75) per share on the Common Stock of this Company will be paid on Oct. 16, 1922, to stockholders of record Sept. 15, 1922.

Transfer books will be closed at the close of business Sept. 15, 1922, and will be reopened at the opening of business Sept. 27, 1922.

WILLIAM H. DWELLY, Treasurer.

Boston, Mass., Sept. 1, 1922.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

192nd Dividend.

The regular quarterly dividend of Two Dollars and twenty-five cents per share will be paid on Monday, October 16, 1922, to stockholders of record at the close of business on Wednesday, September 20, 1922.

H. BLAIR-SMITH, Treasurer.

COMPUTING-TABULATING-RECORDING CO.

50 Broad St., New York, N. Y.

The Board of Directors of this company has today declared a regular quarterly dividend of \$1.50 per share, payable October 10, 1922, to stockholders of record at the close of business on September 25, 1922. Transfer books will not be closed.

J. S. OGSBURY, Treasurer.

August 29, 1922.

TRADE TENDENCIES

(Continued from page 780)

wages in other lines puts an effective check upon any downward tendency which might conceivably have developed. However, the prospect for continued high costs is not likely to be especially discouraging in view of the urgency of demand.

CHEMICALS

Better Things in Store

The improvement in general business conditions, bringing expanding production in manufacturing industries, should shortly begin to find a greater measure of reflection in the demand for chemical products. There has been little of interest in the chemical market for some weeks as the industry was evidently affected by seasonal dullness and the retardation of industrial activity by labor disturbances.

Although the chemical trades as a whole thus appear to be in a more or less passive state and sales have so far been disappointingly slow in developing volume, signs are not wanting that the foundation has been laid for increased activity over the remainder of the year. Buying of the hand-to-mouth variety has been in vogue for such a length of time as to suggest light supplies in the hands of dealers and consumers. Price levels are fairly well maintained, considering the lack of aggressive purchasing, and while manufacturers are believed to be well stocked to meet current requirements, this is no guarantee that they will be able to keep up with a sudden expansion in demand without increasing output.

Prices generally, have ruled at levels out of line with production costs for some months and manufacturers have merely been waiting for a period of greater activity in which to bring selling prices into a relation with costs which will yield them a fair margin of profit.

The excellent crop outlook portends larger sales of fertilizer next season. The fertilizer companies have practically completed their period of readjustment with liquidation of stocks of old material during the season just past. Although they still have large sums tied up in unpaid accounts, most of the fertilizer manufacturers' troubles would appear to be behind them, and the prospects for next year continue good.

RAILROADS

Outlook Promising

A study of freight-car loadings shows that, in spite of the greatly reduced movement of coal, traffic is running at a rate nearly 89% of that for 1920 and at more than 105% of corresponding periods for last year. Revenue freight loaded during

Steel Common Studebaker U. S. Rubber Baldwin General Asphalt American International

I have prepared a chart covering the fluctuations on the above stocks for 1920. It shows the splendid opportunities afforded by Puts and Calls to take advantage of the fluctuations on a small cash outlay. When trading with Puts and Calls your loss is at all times limited to the small amount paid for them, while profits are unlimited, or all that a rise or a decline in a stock permits. Puts offered on June 3rd, 1921, on Mexican Petroleum at 140 showed \$3400.00 net profit on each 100 share Put by June 20, 1921.

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Will bonds sell higher?
How about money rates?

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KARDEX

TONAWANDA, N.Y. BRANCHES EVERYWHERE

the third week in August totaled 856,219 cars, a decrease of 111,884 compared with 1920 and an increase of 41,072 over the same week last year. Coal loadings for the same week of the current year were 70,554 cars less than in 1921 and 122,219 cars under the 1920 figures. Data for preceding weeks gives similar testimony, hence it is clearly evident that traffic in commodities other than coal is being handled in record-breaking volume. Furthermore, it is to be inferred that, with the coal strikes settled and mining operations again in full swing, the railroads will be hard pressed to meet the demand for rolling stock.

Shipments of forest products and ore continue heavy compared with last year. With the exception of cotton, crop yields are excellent which foreshadows heavy traffic for the railroads traversing the farming regions. In fact, some fears are entertained for the ability of the roads to meet the needs of agricultural sections under existing conditions. The increased movement of merchandise and miscellaneous freight which is indicative of growing industrial activity, may be expected to continue in view of the brightening outlook for business generally.

Although earnings statements for July are affected by strike conditions and the August reports will also reflect the economic losses attendant upon prolonged labor disturbances, particularly in the case of the coal roads, this must be regarded as a temporary condition and the longer term prospects for the railway companies is very encouraging. In the case of those railroads which were the chief sufferers from the suspension of coal mining, the tremendous demand for fuel over the remaining months of the year should have a marked effect in augmenting earnings, thus largely, if not entirely, compensating for previous hardship.

LEATHER

Increased Activity

The leather industry has been one of the last to recover from the period of depression, and while the process of readjustment is slow, there are numerous indications that the industry as a whole has definitely swung into line. The improvement noted in our previous review has been well sustained and promises to continue.

The hide markets have lately developed a slight reactionary tendency, which follows naturally after the period of successive price advances of many weeks past. The easier tendency has been noticeable chiefly in country hides and calfskins while domestic packer brands are steady. The labor disturbances are no doubt factors in decreasing activity, although the leather industry has been disposed to pay less attention to the strikes than many others. Meanwhile, the statistical position of hides is very strong, indicating that the market awaits a larger demand for leather before the advance may be resumed, and no general slump seems likely. The rise in hides is of no small importance to the meat packers who

derive a considerable revenue from sales of this important by-product.

Large stocks of low quality leathers are still exerting a depressive influence, but demand is broadening and is very strong. Supplies of the better grades are being consumed, but tanners continue to operate on a restricted scale, it being doubtful whether the recent rate between 40% and 50% will increase at any but a slow pace. Rapid advances in hides and skins have not contributed to the peace of mind of the leather interests, inasmuch as quotations on their products, in most cases, have so far failed to keep up with rising hide prices in the necessary proportion and selling prices of leather are largely below the cost of replacement, based on current cost of hides. Many varieties of leather are still only a few cents a pound higher than the low levels of last spring while the raw article, in the majority of cases, is more than 100% above the low point of April, 1921, when the long decline of the preceding 17 months culminated. Packer hides, for instance, touched a high at 53 cents on August 1, 1919, falling to the extreme low at 9½ cents on April 1, 1921, since which time quotations have recovered to 20 cents on August 1, 1922.

Under these conditions the outlook for the leather companies promises little in the way of large earnings for some time. On the other hand, prices continue to work upward and should move more into line with costs of hides and skins and excessive stocks should gradually be reduced so that the future holds encouragement.

Greater activity in footwear is expected with the nearer approach of fall and winter demand. It appears that many retailers have missed their market in shoes, having failed to anticipate the rise in leather. Retention of hides and shoes on the free list under the new tariff removes a source of concern for the industry.

HIDE PRICES

(Average prices in cents per pound at Chicago)

	Hides-Packer		Hides-Packer
Jan., 1921.....	16.75	Oct., 1921.....	14.81
Feb., 1921.....	13.63	Nov., 1921.....	15.90
March, 1921.....	11.50	Dec., 1921.....	16.50
April, 1921.....	10.13	Jan., 1922.....	16.30
May, 1921.....	11.88	Feb., 1922.....	15.81
June, 1921.....	13.95	March, 1922.....	13.81
July, 1921.....	13.88	April, 1922.....	13.53
Aug., 1921.....	14.06	May, 1922.....	14.55
Sept., 1921.....	14.06	June, 1922.....	16.69
		July, 1922.....	18.25

TOBACCO

Fundamental Conditions Sound

Prices of cigarettes, which were running the gauntlet of severe price-cutting earlier in the year, are now pretty generally stabilized. Some echoes of the war in retail channels are still being heard in isolated cases but these have no particular significance so far as the trade as a whole is concerned. The demand for popular brands of cigarettes and tobaccos is more pronounced than ordinarily has been the case in other years, but this is in line with conditions obtaining in most industries. Consumption of both manufactured tobacco and cigarettes is again increasing after reaching a low point last December.

Cigarette consumption in July, the latest month for which figures are available totaled approximately 5.2 billions which, with the exception of more than 5.3 billions in June, is the highest figure reached in over two years.

Cigar consumption turned upward in March. Figures for July indicate that the industry has some distance to go before reaching the highest levels of 1921 and consumption of all classes in that month was more than 200 million cigars below the highest point of 1920, the peak for that year being somewhat under 800 million in March. However, manufacturers are anticipating a steady growth in production for the remainder of the year at least. Stocks in the hands of retailers and jobbers are low to the point of shortage and these interests should soon begin to build up supplies in view of the increased demand that has set in since the beginning of May.

Cigar makers are endeavoring to meet the demands of consumers for low-priced products by reviving 5-cent brands but it is doubtful whether any but the strongest companies can stand the strain of marketing these grades which yield no profits under existing conditions and appear to be useful solely from the standpoint of advertising and prestige gained.

This year's acreage planted to tobacco is about 25% larger than last and estimates of the coming crop place the yield at more than 1,414,600,000 pounds, or the fourth largest on record. A lower level of prices for leaf tobacco may reasonably be expected.

The tobacco industry is in a fundamentally sound position, and with prices generally stabilized and production and demand increasing in harmony with the upward trend of business in all industries, the outlook for tobacco companies is very promising.

NEW YORK CITY BONDS

	Bid.	Ask.
4½s, Dec. 15, 1971.....	108½	109
4½s, July, 1967.....	108½	108½
4½s, June, 1965.....	108½	108½
4½s, March, 1963.....	108½	108½
4½s, November, 1957.....	107½	108½
4½s, May, 1957.....	107½	108½
4½s, April, 1972.....	104½	104½
4½s, April, 1966.....	104	104½
4½s, March, 1962.....	103½	104½
4½s, March, 1960-30.....	101½	101½
4s, November, 1958.....	100½	100½
4s, April, 1966.....	104	104½
4s, May, 1958.....	100½	100½
4s, May, 1959.....	100½	100½
4s, May, 1957.....	100½	100½
4s, November, 1956.....	100	100½
4s, November, 1955.....	100	100½
4s, November, 1936.....	99½	100½
3½s, May, 1954.....	91½	93
3½s, November, 1954.....	91½	93
3½s, November, 1955.....	91	93

U. S. Treasury Certificates

Following are the prices bid in the open market for United States Treasury certificates of indebtedness and notes of the different issues:

Month.	Year	PC.	Bid.	Approx. Yield.
October	1922	3½	100	3.15
December	1922	3½	100	3.35
December	1922	4½	100½	3.35
March	1922	4½	100½	3.41
December	1922	4½	100.28	3.38
May	1923	4½	100.70	3.70
June	1924	5½	102½	4.05
June	1923	3½	100½	3.47
September	1924	5½	102½	4.06
December	1925	4½	100½	4.18

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Sept. 16

R

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At Your Desk

One Page from The Magazine of Wall Street's Investment and Business Service.

Tuesday Morning, August 22, 1922.

Technical Position of the Stock Market

The full figures represent approximately our buying and selling points. Purchases and sales should be made when the stocks reach within a fraction of the figures mentioned. Orders should not be placed at the full figures. The best buying positions are $\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$, and the best selling points are $\frac{3}{4}$, $\frac{1}{2}$ and $\frac{1}{4}$. It is not advisable to place orders to buy or sell before the opening. Better distribute these during the first fifteen or twenty minutes. Stocks in the position to advance or decline are printed in italics. The position of groups and securities is subject to sudden and frequent changes it is advisable to look risk by placing orders on all.

A very pronounced rise in the average price of 50 stocks has taken place within the last week. Monday's advance was especially noteworthy owing to the fact that the market loosened out and the trading was at a million on the rise, for the first time in some months. A very wide public demand has sprung up within the past week or so, and it has resulted in a number of high records, especially in the Equipment and railroad stocks.

In some of these, notably Great Northern and Chicago & North Western, the advances appear to be a little too rapid and a profit taking; but there is nothing in the underlying situation to change the fact that the investment public is rapidly shifting its funds into all grades of bonds and stocks, most particularly those which yield substantial returns.

Today, in the face of adverse rail and strike news, we find the market absorbing large quantities of stock and making a number of new high records. The leading group in the list are stocks which show definite indications, and are arranged below in the order of their desirability, the groups affording the best trading opportunities being placed first, and the least desirable last.

EQUIPMENT.—Allis Chalmers: hold 53. Am. Car & Fdy.: take profits on stock bought at 160, (now 188) and put proceeds into Lima and Pullman. Am. Loco.: hold 117. Baldwin: hold 113 (now 128). Lima: hold 53 $\frac{1}{2}$ -55 or buy 57. Pullman: hold 120-1 or buy 122. Westinghouse: hold 61 or buy at that.

RAILROAD.—Atl. Coast: hold 100 $\frac{1}{2}$ (now 117). B. & O.: take profit on stock bought 49 (now 60). Can. Pac.: hold 141. Ches. & O.: take profits on stock bought 66 (now 78). St. Paul: hold 29. Chi. & No. W.: take profits on stock bought 76 (now 91). Del. & Hud.: hold 125 (now 130). D. L. & W.: hold 129. Gr. No. pfd.: take profit on stock bought 77 $\frac{1}{2}$ (now 91). Ill. Cen.: hold 104 (now 113). N. Y. Cen.: hold 91 $\frac{3}{4}$ (now 100). No. Pac.: hold 78 (now 87). Penn.: take 5 point profit on stock bought 42. Pere Marq.: take 9 point profit on stock bought 31. Reading: take profit on stock bought 76 $\frac{1}{2}$ (now 80). So. Pac.: hold 89.

OIL.—Cal. Pet.: hold 56 (now 63). Cosden: hold 43. Gen. Asphalt: hold 65. Houston: hold 75. Invincible: buy 14. Pacific Oil: hold 51 (now 57). Pan. Am.: neutral. Royal Dutch: buy 51. Sinclair: hold 31 or buy 32. Stand. Cal.: hold 104-105 equals 103-1 ex. div. (now 112). Stand. Ind.: hold 104, ex. 1 equals 103 (now 116). Stand. N. J.: hold 180-181 $\frac{1}{2}$, without stop. Texas Co.: hold 46. Union Oil: hold 21. White Eagle: hold 27-26.

CHEMICAL.—Allied: hold 68; now 81. Am. Agri.: buy 41. Davison: hold 45, or buy 47; now 49. Un. Drug: hold 75; now 82. Va. Chem.: buy 30.

MISCELLANEOUS INDUSTRIALS.—Am. Can.: cover shorts. Cotton Oil: hold 26. Am. Linseed: hold 34. Am. Woolen: hold 91; now 95. Coca-Cola: stay short above 72. Cons. Textile: hold 11. Famous-Players: hold 80; now 89. Int'l. Paper: hold 47; now 58. Nat'l. Lead: cover shorts. N. Y. Dock: buy 36. Pitts. Coal: hold 62-64; now 68. U. S. Realty: hold 65; now 74. Sears Roebuck: take profit on stock bought 75; now 92.

STEEL.—U. S. Steel: hold 101. Beth. B.: hold 78. Lackawanna: neutral. Midvale: hold 33-31. Replogle: take profits on stock bought 31. Vanadium: hold 15; now 51.

SUGAR.—Am. Beet: hold 47 or buy at that. Cuban Am.: hold 24-26, or buy 26. Punta: hold 49-47. So. Porto Rico: hold 52 or buy at that.

PUBLIC UTILITY.—Am. Tel.: hold 122 or buy 123.

FOOD.—Corn Prod.: take profits on stock bought 104-105; now 117. Wilson: hold 40; now 45.

MINING AND SMELTING.—Am. Smelt.: hold 59-61. Am. Zinc: hold 17 $\frac{1}{2}$. Anaconda: hold 51; now 55. Butte & Sup.: hold 28. Cerro: hold 36, or buy 38; now 40. Gr. Cananea: hold 31. Inspiration: hold 40 or buy 41. Kennecott: hold 33; now 37. U. S. Smelt.: hold or buy at 41. Utah: hold 63; now 68.

LEATHER.—Central: hold 37-38; now 41. End. Johnson: hold 81 or buy 82.

TOBACCO.—Am. Tob.: hold 140, ex. div. 3 equals 137; now 150. Reynolds B.: hold 48 or buy 49. Tob. Prod.: cover shorts. Un. Ret. Stores: 3 point stop caught; position neutral.

MOTOR.—Gen. Motors: buy 13 $\frac{1}{2}$. Mack Trucks: buy 56. Martin Parry: hold 30 $\frac{1}{2}$. Studebaker: if not stopped out, hold 127 ex. div.

TIRE.—All neutral.

SHIPPING.—All neutral.

Our Technical Service is a valuable aid in the development of the few most important opportunities for traders.

Panorama of Central Park and Upper Fifth Avenue
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ROBERT H. LOVETT



ASSISTANT ATTORNEY GENERAL
WASHINGTON

August 18, 1921.

My dear Mr. Townsend,

I beg to apologize for my delay in thanking you for the very cordial treatment which you accorded my daughter during her recent stay at your hotel. She is most enthusiastic in her praise of your courteous attention, and, of course, you may be assured of Mrs. Lovett's and my deepest appreciation.

I advised a couple of my attorneys to stop at your hotel last week; this they did and reported that everything was most satisfactory. I understand that several more will be there some time this week.

Thank you again for making my daughter's stay so pleasant, and, with the hope that I may some day have the pleasure of meeting you, allow me to remain

Very respectfully yours,

Robert H. Lovett

Copeland Townsend, Esq.
Hotel Majestic
New York City

